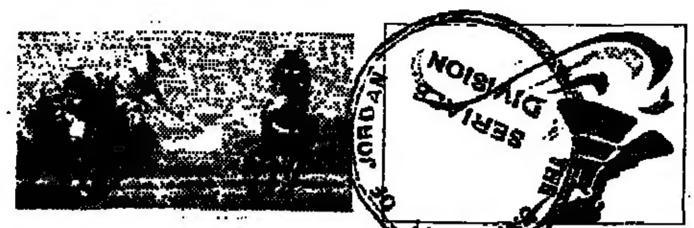

After Major's reshuffle

Do the Tories have the will to govern?
Page 8

FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND MAY 29/MAY 30 1993

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Poland faces new uncertainty after coalition defeat

Poland's president Lech Walesa began the search for a new government after the country was plunged into renewed political uncertainty by the surprise one-vote defeat of the coalition headed by Hanna Suchocka, just as the economy was showing signs of growth. The no-confidence vote had been called by the Solidarity trade union group. Page 24; Poles apart but ready to do deal, Page 9

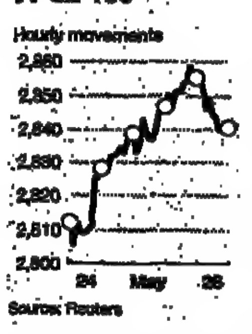
Fury over German abortion curb: Germany's constitutional court scrapped eastern Germany's liberal abortion law, to the fury of women's groups and opposition politicians in the east and the west. Page 24; Bundesbank resistance grows to further cuts in interest rates, Page 2

Time Warner stake: Canada's Power Corporation has bought a 1 per cent stake in Time Warner, the US entertainment group, for $99m (£64.2m), adding to signals that the company is seeking a role in international communications. Page 12

BA strike threat: British Airways cabin crews and ground staff will strike for one day next week if the company fails to resolve its differences with them over pay and conditions. Such a stoppage would ground BA's fleet in the UK and abroad. Page 6

Bosnia allegations rejected: Britain and France forcefully rejected claims that the west and Russia had endorsed Serb territorial conquests in Bosnia. Page 2

Equities see little immediate change: Wider consideration of the appointment of a new chancellor of the exchequer in the UK appeared to do nothing to shake the view of the London stock market that little immediate change in domestic economic policy is likely. Over the week, the FT-SE Index has gained 28.5 points or about 1 per cent. Although doubts on the progress of the recovery in the domestic economy have continued, UK equities have benefited from Wall Street's progress to new peaks. Page 15



Source: Reuters

Italy fears further attacks: Italy prepared for possible further terrorist attacks after Thursday's bomb blast in Florence, fearing a determined campaign of terror to destabilise the country. The cabinet provided L30bn (£13.16m) to ensure the Uffizi art gallery could reopen as soon as possible. Page 2

Seaq replacement offer: Nasdaq, US over-the-counter stock exchange, has offered to build a replacement for London's dealing system, Seaq, for £37m – an estimated £20m less than a rival system planned by the London Stock Exchange.

Japan seeks help on yen: Japan warned that the yen's rapid appreciation is endangering Japanese economic recovery and sought international help to ensure that Japan will be able to contribute to world growth, after a record close in Tokyo of Y107.38 to the dollar. Page 4

Clinton renews China's MFN status: US president Bill Clinton signed a one-year extension of China's Most Favoured Nation trade status and backed away from imposing tough conditions on renewal in 1994. Page 3

Union blow to Labour plans: The Union of Communication Workers' conference voted to oppose any plans that weakened the union's role in selecting parliamentary Labour candidates and electing the party leader and deputy leader. The move is a blow to Labour leader John Smith's plan to introduce a one member one vote format to the process. Page 24; ILO ruling, Page 6

Menem orders Falklands inquiry: Argentina's president Carlos Menem has ordered an investigation into war crimes allegedly committed by British troops during the 1982 Falklands War. Page 3

Nissan, Japan's second largest carmaker, reported parent pre-tax losses of Y26.3bn (£154.70m) for the year ended March, compared with profits of Y87.8bn previously. Page 12;

The Financial Times will not be published on Monday May 31 because of a UK bank holiday.

STOCK MARKET INDICES

FT-SE 100:	2840.7	(-14.6)
Yield	4.05	
FT-SE Eurotrack 100	1161.58	(-3.43)
FT-A All-Share	1403.42	(-0.4%)
Nikkei	20,843.89	(-8.94)
New York: lunchtime		
Dow Jones Ind Ave	3515.25	(-39.58)
S&P Composite	448.15	(-4.27)

US LUNCHTIME RATES

Federal Funds:	2$\frac{15}{16}$%
3-mo Treas Bills: Yld	3.116%
Long Bond	101$\frac{3}{32}$
Yield	6.978%

LONDON MONEY

3-mo Interbank	5$\frac{15}{16}$%	(5$\frac{15}{16}$%)
Liffe long gilt future:	Jun 103$\frac{11}{16}$/Jun 104$\frac{3}{32}$	

NORTH SEA OIL (Argus)

Brent 15-day (July)	$18.685	(18.675)

Gold

New York Comex (Aug)	$380.3	(383.4)
London	$379.75	(376.7)

STERLING

New York lunchtime:		
$	1.561	
London:		
$	1.561	(1.555)
DM	2.4775	(2.5075)
FFr	8.3675	(8.455)
SFr	2.2125	(2.235)
Y	167.25	(167.5)
£ Index	80.4	(80.7)

DOLLAR

New York lunchtime:		
DM	1.588	
FFr	5.3615	
SFr	1.417	
Y	107.35	
London:		
DM	1.587	(1.612)
FFr	5.36	(5.4375)
SFr	1.418	(1.4375)
Y	107.2	(107.8)
$ Index	63.1	(63.6)
Tokyo close Y 107.38		

Industrial tribunal makes record race bias award

By Lisa Wood, Labour Staff

A YORKSHIRE textile company that threatened to dismiss its night shift workers, all Asians, for refusing to accept new working practices was found guilty yesterday of racial discrimination and fined a record £229,000 by an industrial tribunal.

Mainly white workers on day and evening shifts at John Haggas, a publicly quoted worsted spinner, had not been threatened with disciplinary action when they refused to take on the same extra duties last year.

The award, after a three-day hearing, was the largest ever against a single employer because of the number of plaintiffs. Individually their awards were not high, the largest being £4,000.

However, Mr Anthony Morris, the Leeds industrial tribunal chairman, said he would have considered higher awards if the maximum compensation allowable had been higher than £10,000.

Mr Brian Haggas, chairman of John Haggas, which denied racial discrimination, said: "Nobody was made redundant. On the face of it, this seems a very harsh ruling."

Mr Goolam Meeran, counsel for the workers, most of whom do not speak English, said he was pleased with the decision. "I think justice has been done and more importantly, has been seen to have been done."

Mr Morris, who said the company was guilty of direct discrimination, said it was clear that the Asian night shift workers were threatened and warned that the steps taken against them were not taken against the white day and evening shift workers.

He awarded £1,000 each for injury to feelings to 33 workers not affected by the change in working practices but who received a threatening letter from Mr Haggas warning that the entire night shift would be closed with the loss of all jobs if their colleagues did not conform.

Mr Robert Ginty, the general manager, said the extra work was introduced to stave off the effects of the recession and disciplinary measures were brought against the night shift because it was thought they would be the toughest opposition.

Mr Morris said the company had a history of maintaining a racial split in its workforce, and over a period of time had treated them differently along racial lines. He ordered the company to adopt the Race Relations Code of Practice on equal treatment of the workforce.

Clinton's budget bill victory tempered by drop in public spending

Fresh doubts over US recovery

By Michael Prowse in Washington

PRESIDENT Bill Clinton's celebration yesterday of his vital budget bill victory in Congress on Thursday night was tempered by new figures which cast fresh doubts on the US economic recovery.

They showed much reduced economic growth as American consumers stopped spending and a deeper balance of payment deficit in the first quarter.

Seeking to build public momentum for his economic policies, the president told a large crowd in Philadelphia that the US "must stop reducing our investments and running up our debts". He also insisted that the impact of his controversial energy tax would be more than offset by lower interest rates and that "there will be no new taxes without budget cuts".

Revised figures, released by the Commerce Department, showed gross domestic product expanding at an annual rate of only 0.9 per cent, half the rate estimated last month and sharply down on the 4.7 per cent recorded in the fourth quarter of last year.

The latest signs of a US slowdown follow recent downward revisions to growth forecasts for continental Europe and will increase concern in western capitals about global growth. They will add to tension when economics and trade ministers from industrial countries meet in Paris next week at the Organisation for Economic Co-operation and Development to discuss rising unemployment and protectionism ahead of the July Group of Seven economic summit.

The figures may also increase opposition in the US Senate to elements of Mr Clinton's deficit-cutting economic plan, which involves the largest tax increase in a decade.

Share prices retreated on the bad economic news after hitting record highs earlier this week. By midday, the Dow Jones Industrial Average was down nearly 29 points at 3,526.60.

On Thursday, Mr Clinton just avoided a potentially calamitous defeat when the House of Representatives approved a bill that would raise taxes by $250bn (£162bn) and cut spending by

House nudges Clinton to the right.....Page 3
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$87bn over five years.

Many Republicans and conservative Democrats, however, are pushing for bigger spending cuts on the grounds that higher tax rates on individuals and companies will retard economic growth.

The downward revision of first-quarter GDP was sharper than expected on Wall Street and mainly reflected the US's poor trading performance in the first quarter. Balance of payments figures data yesterday showed a merchandise trade deficit of $29.1bn against $17.8bn in the first quarter of last year. Imports rose 12 per cent in cash terms over the period.

Most economists have shaved growth forecasts for this quarter but are predicting a rebound in the second half to growth at an annual rate of close to 3 per cent.

Mr Stephen Roach, senior economist at Morgan Stanley, the New York investment bank, said

Continued on Page 24

Treasury secretary Lloyd Bentsen yawns in the White House's Oval Office as he, President Clinton (left), vice-president Al Gore (back to window) and chief of staff Mack McLarty celebrate the budget bill victory

Major promises unchanged economic policies

By Alison Smith in Paris and Ralph Atkins in London

MR JOHN MAJOR battled to restore stability to his administration yesterday, saying British economic policy would not change after this week's acrimonious departure of Mr Norman Lamont as chancellor of the exchequer.

With an embittered Mr Lamont increasingly expected to become a rallying point for Conservative dissidents, the prime minister said the former chancellor's caution about British re-entry into the European exchange rate mechanism, and his March budget, would remain government policy.

In spite of Mr Major's attempts to portray Mr Lamont's resignation as a personal act, cabinet ministers acknowledged that the chancellor's forced resignation was a symptom of wider disquiet over Mr Major's leadership.

Mr Michael Heseltine, trade and industry secretary, said: "The body politic wanted a scapegoat".

Downing Street officials suggested that this week's reshuffle was deliberately limited in scope so as to leave maximum room for a more extensive cabinet shake-up nearer the next general election. They played down suggestions that Mr Major was worried that Mr Lamont might

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Clarke's low-key start at Treasury, Page 7
Tory Party must choose power or revenge, Page 8
Lex, Page 24

ADT's Ashcroft paid £2m in 1992 despite shares slide

By Richard Gourlay

MR Michael Ashcroft, chairman and chief executive of ADT, the Bermuda-based security and car auction company, was paid more than £2m in 1992, according to documents filed with the US Securities and Exchange Commission.

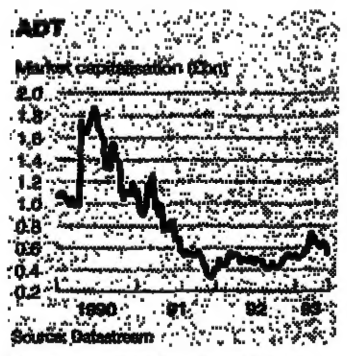
During 1991 and 1992 ADT's market capitalisation has nearly halved to about £617m. Details of Mr Ashcroft's salary emerged as ADT entered the last stages of a $1.3bn (£833m) refinancing with its banks and preference share holders.

His service agreement states that "his salary shall not be reduced" although he or the company can give 12 months notice terminating the contract.

The 1992 payment was made up of £1.44m in salary and £596,000 paid in trust for Mr Ashcroft in lieu of retirement and death benefits. His salary was the same in 1991 and £1.2m in 1990.

The compensation package makes Mr Ashcroft better paid than most chief executives in the FT-SE 100. ADT made a pre-tax profit in 1992 of $116m and a pre-tax loss of $460m in 1991.

It is understood the ADT board has approved a new five-year service agreement with Mr Ashcroft,



Source: Datastream

details of which are unlikely to be made available until the company files details of its annual report with the SEC next May.

ADT has had a rocky recent stock market history. While the quality of its core security and car auction businesses has not been called into serious question, the group has stumbled on a string of non-core investments.

These have included stakes in Christies, the auction house, and LEP, the freight and security company, on which the company has lost money.

Mr Ashcroft, who established close links with the Conservative party, fell badly out of favour in the City during 1991. Unable to keep up with ADT's stream of non-core investments and inter-company transfers of assets and debts, he was described by analysts as "too clever by half".

The share price fall was not simply due to a loss of confidence in the City. In April 1991 the company was hit with a lawsuit from Laidlaw of Canada, its largest shareholder.

The suit claimed ADT had produced "an illusory profit stream" but was dropped, apparently in return for board representation.

Mr Ashcroft transformed ADT in the late 1980s from a string of office service companies with low margins to a company with leading positions in the security market in the US and in car auctions on both sides of the Atlantic.

But the cost of buying these businesses was partly met through the issue of convertible preference shares which included put options, exercisable in 1994, significantly above the current share price of 560p.

Some $435m falls due under the convertibles issue and the balance of the $1.3bn being covered in the refinancing was due to banks from 1995. ADT said in the documents filed with the SEC that if the refinancing was not implemented it would cut capital spending or "if necessary consider the disposition of operating businesses in whole or in part".

CONTENTS

Austria Sch30; Bahrain Din1.250; Bermuda $1.85; Belgium BFr60; China Fac 13.0; Canada C$1.40; Croatia HRD5700; Cyprus C£1.00; Czech Rep Kcs45; Denmark DKr15.00; Egypt E£4.50; Finland Fmk12; France FFr9.00; Germany DM3.30; Greece Dr300; Hong Kong HK$16; Hungary Ft172; Iceland IKR190; India Rup40; Indonesia Rp3,800; Israel NS5.90; Italy L2700; Japan Y500; Jordan JD1.50; Korea Won 2500; Kuwait Fils.800; Lebanon $US1.25; Luxembourg LFr60; Malaysia Rin4.50; Malta Lm0.60; Morocco Dh13.00; Nigeria Naira45.00; Netherlands Fl3.75; Norway NKr16.00; Oman OR1.50; Pakistan Rs35; Philippines Pso 45; Poland Zl 22,000; Portugal Esc215; Qatar QR12.00; S.Arabia Rls11.00; Singapore S$4.10; Slovak Rep KSL45; Slovenia SLT220; Spain Pta200; Sri Lanka Rup30; Sweden SKr15.00; Switzerland SFr3.20; Taiwan NT$85; Thailand Bht50; Tunisia Din1.250; Turkey L7000; UAE Dh11.00; USA $1.25 (Alaska & Hawaii $1.75)

 No 32,075 Week No 21

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Italy fears renewed attacks

By Robert Graham in Rome

ITALY yesterday prepared for possible further terrorist attacks after Thursday's car bomb explosion in Florence which killed five people and seriously damaged one of the two main wings of the famous Uffizi gallery.

The Italian government yesterday said the mafia was behind the attack, but did not exclude the possibility that other organisations could also be involved in a determined campaign of terror to destabilise the country.

In yesterday's parliamentary debate a number of senators questioned whether dissident elements in the security services and former members of the P2 secret masonic lodge, behind terrorist acts during the 1970s and early 1980s, were involved in the incidents.

The authorities believe they are up against a group or groups with a well-defined strategy, unafraid to take lives or attack priceless artistic treasures. Mr Nicola Mancino, the interior minister, told parliament the mafia had a hand in wanting to create a climate of tension. Their aim was to distract the authorities from their increasingly successful battle against organised crime. He did not rule out links with international organised crime.

The Italian cabinet yesterday agreed to provide L30bn (£12.6m) in immediate funds to ensure the Uffizi could open to the public as soon as possible, albeit on a limited basis.

The authorities have revealed no hard proof of mafia involvement in this bombing or that in Rome on May 14.

Mr Mancino said links existed between the car bombing in Florence and the one in Rome which injured 23 people. In both instances forensic experts have found traces of the same explosive material also used in another unexplained act of terrorism, the bombing of the Naples-Milan train on December 23, 1984 killing 15 and injuring 200.

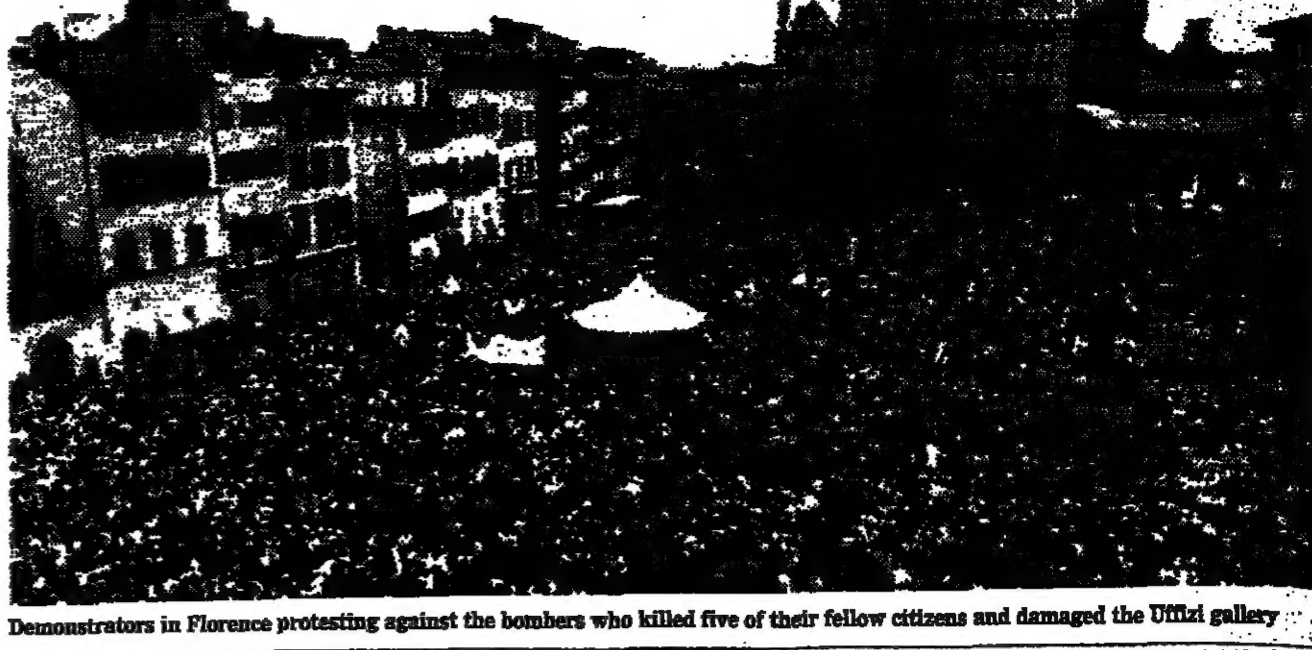
The interior minister said the Rome explosion occured on national police day while the Uffizi bomb went off on the day interior ministers were meeting to discuss combating the drugs trade.

The Rome bombing was a message primarily directed against an Italian audience, while the Florence explosion was intended to produce reverberations world-wide, he suggested. He also maintained the bombings were too close together to be coincidental.

The car used to carry more than 100kg of explosive was apparently stolen the day before, as was a second getaway vehicle. Mafia experts said this was contrary to normal mafia practice.

In the four major terrorist acts since 1974, the courts have failed to pin final responsibility on anyone. Only this week the 50,000 page file was closed on the May 28, 1974 bombing in Brescia (8 dead, 90 injured) after eight separate inconclusive trials since 1978.

In Florence yesterday unions organised a protest and a crowd of over 100,000 heard calls for people to refuse to be cowed by the threat of terrorism. Elsewhere in Italy stoppages were staged in solidarity with the victims.



Demonstrators in Florence protesting against the bombers who killed five of their fellow citizens and damaged the Uffizi gallery

Bundesbank resistance grows to further cuts in interest rates

By Christopher Parkes in Frankfurt and James Blitz in London

RESISTANCE to further interest rate cuts is growing among Bundesbank policymakers alarmed by rapid money supply growth and ballooning public sector deficits.

The heads of three state central banks, all members of the Bundesbank central council, yesterday spoke out against relaxing monetary policy despite more evidence that the recession has yet to ease.

The engineering industry reported an 11 per cent year-on-year drop in orders during April, while the federal statistics office said turnover in the wholesale trade fell a real 5 per cent in the first quarter.

Meanwhile, the west German inflation rate fell in line with expectations to a provisional 4.2 per cent in May, compared with 4.3 per cent in April, and the Bundesbank's medium-term target of 2 per cent.

According to Mr Guntram Palm, president of the Baden-Württemberg central bank, there was no further room for rate cuts because the M3 measure of money supply growth overshot the Bundesbank's target range last month.

There was a danger that the May figure would also exceed the upper limit of 6.5 per cent, he said.

Mr Dieter Hiss, of the Berlin and Brandenburg bank said a pause in the recent series of small cuts could be in order in the light of monetary developments and the D-Mark exchange rate.

The German currency's advance against the dollar had come to an end, he said, and it was no longer so strong within the European monetary system. Although recent signs of weakness were not a "trend", he said, the D-Mark's strength had to be protected by monetary policy when necessary.

Yesterday's comments had a significant impact on financial markets, forcing dealers to scale down their expectations of German rate cuts while strengthening the D-Mark inside the European exchange rate mechanism.

The D-Mark strengthened against all currencies, pushing the dollar down 2½ pfennigs on the day to a close of DM1.5870.

Mr Neil MacKinnon, chief currency strategist at Citibank in London, said there would probably be little further reduction in German interest rates in the next six weeks.

"That will make it difficult for European countries to reduce interest rates, and may trigger new tensions inside the ERM in the longer term," he said.

The comments by Bundesbank central council members coincided with renewed opposition to any more relaxation from Mr Lothar Müller of Bavaria, who earlier this week criticised money supply growth rates and ever-growing public sector deficits, and said rates would not be cut for some months.

The central bank council has been shaken in the past two weeks by the unexpected surge in April M3 and the sharp upward revision of Bonn's budget deficit estimates.

● Germany's ruling coalition ignored yesterday the protests of industrial lobbies and agreed to impose a surcharge on workers and employers to finance the growing cost of health care for the elderly, writes Ariane Genillard in Bonn.

The plan will pay for residential care for 1.1m elderly persons.

It foresees an initial 1 per cent surcharge – shared equally between employers and employees – on income, starting January 1, 1994. It will rise to 1.7 per cent on January 1, 1996.

NEWS IN BRIEF

French jobless level rises by 1.5%

FRANCE'S new conservative government yesterday faced a setback in its attempts to curb unemployment, with the news that the level of joblessness rose by 1.5 per cent last month to just below 11 per cent of the workforce, writes Alice Rawsthorn in Paris.

There were more than 45,600 job losses in France during April, according to the employment ministry, bringing the total number of unemployed to a record 3.11m.

The depth of the economic downturn was highlighted yesterday when the LVMH luxury goods group announced it was shedding 89 employees at its Pommery champagne business. LVMH earlier made 245 redundancies at the Moët et Chandon and Mercier champagne houses, which sparked stormy protests earlier this week.

The government itself yesterday came under fierce criticism from trade unions following Thursday's disclosure that it plans to reduce the number of civil servants at the rate of 1.5 per cent a year from the present tally of 2.1m.

Stoiber elected as Bavarian premier

Mr Edmund Stoiber was yesterday elected as the new state premier of Bavaria, Reuter reports from Munich.

Mr Stoiber won support from almost all his fellow Christian Social Union (CSU) deputies in the state assembly, the majority faction that Mr Theo Waigel, the federal finance minister, had tried unsuccessfully to woo this month in his bid for the premiership. The job became available when former premier Max Streibl stepped down over scandals about accepting free trips from a businessman.

Iceland urged to cut quota for cod

The Icelandic government has been urged to make a drastic cut in the country's cod quota in 1993-94, although this could deepen a severe recession, writes Christopher Brown-Humes in Stockholm.

The state-run marine research institute says next season's cod catch should be limited to 150,000 tons because of declining stocks. In the current season, which ends on June 30, about 230,000 tons of cod are expected to be caught, compared with a quota of 205,000 tons. If implemented, the cut could reduce Iceland's gross domestic product by 3 per cent next year, because cod accounts for 30 per cent of the country's exports.

Swedish electrical dispute resolved

A three-week dispute in Sweden's electrical industry was resolved yesterday after unions had accepted a pay offer worth around 1.5 per cent over the next two years, writes Christopher Brown-Humes in Stockholm. The deal allows 13,000 workers who have been locked out since May 17 to return to work.

EC, Japan to step up industry links

The European Community and Japan agreed yesterday to step up industrial co-operation in areas ranging from environmental protection to technical standards, Reuter reports from Brussels.

The two said they would consider establishing an EC-Japan round table of Industrialists.

Hopes for González ride on last television debate

By Peter Bruce in Madrid

THE LAST week of the closest Spanish election campaign in living memory will start on Monday with the conservative opposition ahead in opinion polls and government hopes resting on the final television debate between Mr Felipe González, socialist prime minister, and Mr José María Aznar, leader of the conservative People's Party.

Unless the former manages to reverse his public defeat at the hands of Mr Aznar in a first TV debate last Monday, he is given little chance of being able to form a government after the election on June 6.

As Mr González faces up to what will be his most anxious week in politics, he was at least freed yesterday of having to worry about a further serious attack on the peseta. After sharp falls on Wednesday and Thursday, the currency began trading yesterday at about Pta70.4 to the D-mark, just below its new parity of Pta79.11, before the Bank of Spain nudged interbank rates up slightly and brought speculation to a halt at Pta79.27 to DM1.

Many analysts believe the first debate has already sunk Mr González and his socialist party. He was badly prepared and had underestimated his opponent. The prime minister's fortunes are likely to depend on his personal performance, not on Mr Aznar's weaknesses.

Even so, polls still put the socialists and the PP close to each other, despite the peseta devaluation two weeks ago and the first TV debate. A poll to be published on Sunday in the newspaper El Mundo is understood to show the PP leading by about 1.5 points, unchanged from 10 days ago.

But the close polls contrast strongly with the widespread assumption that the socialists have already lost. The undecided vote remains high and no poll came even close to predicting the socialist landslide when the party was first elected to government in 1982.

As a series of small bombs set by the extreme left terrorist group Grapo hit targets in Madrid yesterday, the socialist party continued to insist it can, in one last week of aggressive campaigning, hold the PP to a draw at least. Parliament is to meet for the first time after the election on June 29 and, if the result has been close, the socialists and the PP will have spent the intervening period lobbying regional parties for support in forming a government.

The communist-led United Left (IU) may yet be important in this. Polls give it more than 11 per cent of the vote, which could give the IU some 25 seats and make it the third largest party in parliament.

Germany's 'first lady' retires at 81

By Christopher Parkes in Frankfurt

MRS Grete Schickedanz, "the first lady of the German economy", has given up her last business commitments at the age of 81.

As head of the family which owns the Gustav und Grete Schickedanz group, a mail-order, retailing, paper, beer and banking concern with around DM18bn (£7.10bn) annual sales, she is one of the most celebrated business people in Germany.

The unofficial "first lady" title was conferred by Mr Richard von Weizsäcker, the federal president, and earned through her adventurous, innovative style.

In 1975, for example, she successfully established the Quelle mail-order and retailing business in Hungary.

Quelle was also one of the first west German companies to invest in the former GDR after unification.

A DM1bn investment programme, still under way, was established to create 5,000 jobs.

Quelle, meaning "source", as started in the 1920s by Gustav Schickedanz, and bombed out of business during the war. Mrs Schickedanz, who married her boss in 1942, restarted the family business with a single shop in 1946, and took sole control over the developing empire on her husband's death in 1977, when annual sales were DM8bn.

After giving up operational management in 1987, she continued active work as head of the supervisory boards of the main companies in the group. These posts will now be taken over by her son-in-law, Mr Wolfgang Bühler.

UK, France reject Bosnia criticism

By David Buchan in Paris

BRITAIN and France yesterday forcefully rejected claims that the Western powers and Russia had endorsed Serb territorial conquests in Bosnia.

In a visit to Paris, Mr John Major, UK prime minister, strongly defended Britain and France against charges that, in the recent Washington declaration, they were condoning Serb aggression. It was "a plan for pressure until such time as the Serbs disgorge their [land] gains,"he said. Mr Edouard Balladur, the French prime minister, said: "Things are perfectly clear. We do not accept any *fait accompli*."

Mr Major also stressed the convergence of UK-French interests and roles, arising out of the two countries' general status as UN Security Council members and nuclear weapon states, and in particular from their common involvement in the Bosnian crisis.

In talks with Mr Balladur, and at lunch with President François Mitterrand, Mr Major said he had largely sought to intensify co-operation in areas where the two countries were in agreement – such as enlarging, decentralising decision-making and reinforcing security co-operation in the EC.

"It was not a day for short-term decisions, but for long-term planning," the UK leader said, adding that he hoped to further improve UK-French relations, which were "in better shape" than at any time he could recall. He said he had invited the French president and prime minister to London on July 26 for the first full-dress summit of the two countries since 1991.

Mr Balladur said the two leaders had ordered a special effort to try to bridge their differences in the Gatt talks, essentially over France's insistence on tying an agricultural deal with the US, satisfactory to French farmers, to non-farm aspects of world trade talks.

A Bosnian Serb woman uses a field telephone, near the town of Brcko, to ask Moslem forces to release her son

Biggest Spanish union cold-shoulders socialists

Tom Burns charts a decline in confidence

SPAIN'S biggest union, the General Union of Workers (UGT), has pursued for years its self-appointed task of steering the government of Mr Felipe González along the road of socialist virtue. Now, though, the union ruefully admits that its efforts have failed and it has refused to endorse the prime minister's Spanish Socialist Workers' Party (PSOE) for the general election on June 6.

The UGT had already distanced itself from Mr González – its lack of support in the 1989 election helped to lose the socialist party some 800,000 votes and 10 seats in parliament – but its hostility has now gone further.

Mr Nicolás Redondo, the union's veteran secretary-general, recently underlined the divide by inviting Mr José María Aznar, leader of the conservative People's Party (PP), to the UGT Congress and by sending one of the union's senior executives to the PP convention.

The union's leaders feel betrayed by Mr González's brand of market-oriented socialism. "The government has broken promises it made to us and has been systematically against what we stand for," says Mr José María Zufiaur, a member of the UGT executive.

"On social issues, González has the sensitivity of a clam," Mr Redondo once said of the prime minister.

It was all very different in 1982, when Mr González first swept to power in a landslide at the polls. The UGT then helped to draft the socialist party's manifesto and Mr Redondo was one of half a dozen senior union members to win a parliamentary seat for the PSOE.

Within a year, however, he and Mr González were quarrelling over the government's delay in introducing a 40-hour work week – a campaign promise. By 1985, Mr Redondo had resigned his seat when the government announced pension cuts. The union leader's "insensitive clam" jibe was recalled by Mr Aznar in a televised debate with Mr González this week. "The unions no longer believe you," the PP's champion said as he berated the prime minister for failing to cement agreements on wages and social policies.

Mr González's economic team says the UGT and the communist-leaning union, the Workers' Commissions, are responsible for soaring labour costs crippling Spain's competitivity and for spending programmes widening the budget deficit. The unions contend that real wage increases have lagged behind productivity and that the rise in government expenditure is caused by the administration's inability to reduce unemployment.

Mr Zufiaur says the government's introduction of six-month work contracts has served to worsen unemployment by creating a growing pool of casual workers shifting between short-term jobs and the dole.

"What most angers Redondo," says an old friend of the 64-year-old former steel worker, "is that González never tried to maintain a fluid and open dialogue with the unions, either on a personal or on an institutional level." Mr Zufiaur recalls a bitter exchange when the UGT sought to obtain more union participation in public companies: "González said we would make them uncompetitive and that was that."

Mr Zufiaur reckons the social policy enacted during the past decade has been due to union pressure, including a one-day general strike in 1988.

Among the "conquests" claimed by the UGT and the Commissions after the strike were pensions for some 200,000 of the elderly who had never made social security contributions and a rise from Pta250 (£1.30) to Pta3,000 in monthly child benefits for some 2m Spaniards who earn less than Pta1m (£5,130) a year.

Blue-collar workers are unlikely to vote for the PP but, if Mr Aznar gains a workable majority on June 6, UGT leaders will be among those he ought to thank.

"We are on the left," Mr Zufiaur says, "but many of us are going to abstain, cast blank votes or vote for [the communist-led group] United Left."

EC set to agree on working hours

By David Gardner in Brussels

EUROPEAN Community plans to limit the working week to 48 hours are set to be agreed next week, following high-level negotiations between the European Commission and the British government, whose opposition has blocked the proposal for three years.

UK officials confirmed yesterday that "it is likely that we will not vote against" the working time directive when employment and social affairs ministers meet in Luxembourg on Tuesday.

Britain last year secured a partial opt-out, giving it a 10-year grace period to implement the 48-hour week, whereas its 11 partners would have to comply within three years. But the UK would, for the first time, have to give legal protection to workers who do not want to work more than 48 hours, and to bring in legislation on mandatory time off.

Throughout the long tussle over this flagship of the EC's Social Charter, the British government has insisted it would not accept any obligation to limit working time, either now or in the future, claiming the measure would add £5bn to the costs of UK industry.

But following talks between Mr Padraig Flynn, EC social affairs commissioner, and British ministers, Mr John Major, the UK prime minister, is understood to have sanctioned abstention on the directive.

The UK, however, is still fighting for total exclusion from the rules for all work at sea, and for doctors in training.

Britain will also come under pressure on Tuesday over EC plans for mandatory works councils in big, trans-European companies.

Its 11 partners are agreed in principle to go ahead with the measure under the social protocol of the Maastricht treaty if Britain – which is exempt from these more ambitious provisions – continues to hold it up.

The directive would oblige companies with more than 1,000 workers in more than one member state to set up elected works councils, which wold have to be consulted on investment, relocation and jobs plans.

The UK is flatly opposed to obligatory consultation of workers, but is negotiating in detail the directive's provisions, keeping open the option of an eventual compromise.

If its partners were to go ahead with their own plans, British companies would still be among those most affected.

More than 100 UK companies in continental Europe would fall under the proposed rules, and multinationals based in Britain and on the continent are likely to face pressure from their workers to offer the same consultation rights in the UK as in the rest of the EC.

● The European employers federation, UNICE, has attacked the cost of organising the consultation meetings required by the directive.

However, senior Commission officials insist that the cost would not be more than Ecu10 (£7.78) per year per worker, and would be offset by increased productivity flowing from improved industrial relations.

Russian gold mines seek foreign cash

By Leyla Boulton in Moscow

PLANS ARE being drawn up for the partial privatisation of Russia's under-capitalised gold mining industry at a time of continuing uncertainty for potential foreign investors, according to Mr Yevgeny Bychkov, chairman of Russia's committee for precious stones and metals.

Mr Bychkov said gold output had fallen 6 to 7 per cent last year to 146 tonnes, a level of output which he hoped would be maintained this year. He also said he believed the level of exports would "not significantly" change from the 98 tonnes sold abroad last year, the proceeds of which were paid to producers. He said official reserves held by his committee came to 200.5 tonnes in May while those held by the central bank had totalled 133 tonnes in January.

Mr Bychkov said the specifications for privatisation of gold production would be contained in a decree now being drafted for President Boris Yeltsin. But he ruled out large-scale transfer of shares to workers because the industry needed big capital investment which employees could not afford.

The only items to be excluded from privatisation would be sorting and refining operations, he said.

He did however reverse an earlier statement saying that no foreign companies should be able to exploit Sukhoi Log, the country's biggest hard-rock gold deposit.

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House nudges Clinton to the right

By Jurek Martin in Washington

PRESIDENT Bill Clinton took a number of disparate decisions between the small hours of Thursday morning and the relief of seeing the House of Representatives pass his deficit reduction package in the evening. Taken together they may represent at least a tactical and possibly a strategic shift in the direction of a presidency that has seemed of late not always to know where it was going.

The Democrats hung together to pass the budget bill essentially because they stared into the abyss of failure and drew back. A defeat would have been catastrophic not only for Mr Clinton but for the party, which has to prove, as congressman after congressman said in the course of the impassioned debate, that it is capable of governing after 12 years in opposition.

In the event the 219-213 victory was less of a squeaker than the voting numbers implied. Once the necessary majority had been secured, several Democrats, protecting their rear, cast a free vote against the bill. This does not mean that the Senate, more independent-minded, more evenly divided and likely to add another Republican seat next month from Texas, will go along meekly. But at least the president's prospects of obtaining legislation that he can live with look a little better.

This is because Mr Clinton decided in the early hours compromise on the bill to cast his lot with the centre-right of his party at the expense of traditional liberals. He accepted some limitations on social spending and bought the twin arguments that the energy tax, as now proposed, might be liable to modification and that the mix of tax rises and spending cuts might at the end of the congressional process lean more heavily on the latter.

This might seem rough justice for the liberals who have generally been more supportive of the president than the critical centre. But the balance of power in Congress, and, as last year's election showed, in the country at large, remains averse to the conventional liberal agenda. By distancing himself from it Mr Clinton also opens up the possibility of prising loose some moderate Republicans in the battles still to come on the budget and on health care.

His own political roots lie in what might be called the radical centre and he was elected on the premise that he was "a new kind of Democrat," intent on making a leaner government work better but not to the extent that it interfered with the assertion of individual responsibilities.

President Clinton building last-minute support for his budget package, eventually passed by 219 votes to 213

These principles and Mr Clinton's well developed populist instincts have seemed obscured of late, not least by his association with what are perceived as elitist Hollywood liberal causes. Mr Ross Perot, the Texas billionaire and independent candidate in last year's presidential election, gave a TV interview on Thursday savagely and personally critical of the president. He referred disparagingly to a White House session with the Dalai Lama, the spiritual exiled leader of Tibet, made possible by stars of the entertainment world.

But also on Thursday Mr Clinton took a step back from another liberal (and Hollywood) cause – the complete ending of the ban on homosexuals serving in the military – by stating that the government should not "appear to be endorsing a gay lifestyle."

He said he was inclined to favour the "don't ask, don't tell" compromise, under which military recruiters would stop inquiring about sexual preference in return for limitations on homosexual behaviour by serving men and women. Although this has been advanced by Congressman Barney Frank of Massachusetts, one of only two openly homosexual members of the House, it falls far short of the demands of the gay lobby.

The president's decision to extend China's most favoured nation trading status with only the mildest of human rights caveats also breaks a campaign promise designed to bring liberals on board.

The next obvious test concerns his nomination of Ms Lani Guinier to be assistant attorney general in charge of civil rights. She is black, a leader in the civil rights movement, a brilliant law professor from the University of Pennsylvania and a Yale classmate of the Clintons.

But some of her written work on voting rights in the context of the causes of minorities is considered radical even by Democrats and her confirmation may be obtained only by the expenditure of much political capital, which Mr Clinton still cannot spend too freely. A similar caution may apply to his imminent nomination of a new Supreme Court justice, now likely to be a middle-of-the-road judge from the federal system.

Moving away from the liberals is not cost-free. It makes more difficult agreement on the energy tax and congressional approval of the North American Free Trade Agreement. It will require the president to find ways of offering more to the inner cities. It may mean offending Ms Barbra Streisand and her Hollywood set. But the consequences of not doing so now appear to the president to be far worse.

Extension of China's MFN status signed

By Nancy Dunne in Washington

PRESIDENT Bill Clinton yesterday signed a one-year extension of China's Most Favoured Nation trade status and backed away from imposing tough conditions on renewal in 1994.

With congressional Democrats by his side, the president sought a middle ground between US business interests and a campaign promise to take strong action on human rights.

The conditions Mr Clinton imposed are not legally binding but simply order the secretary of state not to recommend another MFN extension unless China has demonstrated progress on human rights and other issues.

MFN status is often referred to as trade "preferences" but it does no more than grant China the same tariff levels as most other countries in the world. Without it, China might well cut off US imports and seek markets elsewhere.

Mr Clinton called on China to release political prisoners, to recognise Tibet's "distinctive religious and cultural heritage," to permit international radio and television broadcasts into China and follow humane practices in the use of prison labour. He said he wanted Chinese progress on nuclear non-proliferation and eliminating trade barriers.

The president sought to compensate for the absence of tough action with rhetoric. Bringing human rights into the trade equation is "a new chapter in United States policy to China," he said. He does not want "to isolate China" but is "standing up for American values."

Congressional leaders, who liked to bash President Bush on the issue were quick to praise President Clinton's "leadership."

"For the first time since the events of Tiananmen Square, nearly four years ago, we have a president who is willing to act in order to bring about positive change," said Senator George Mitchell, the Senate majority leader and a long time crusader on the issue.

Menem calls for Falklands inquiry

By John Barham in Buenos Aires

ARGENTINE President Carlos Menem has ordered an "immediate" investigation into war crimes allegedly committed by British troops during the 1982 Falklands War.

His announcement follows fresh allegations of atrocities made this week in the UK media. Mr Menem promised that, if Argentine defence ministry investigators found proof of atrocities, "we are ready to formally take the issue to the United Nations, the European Community and the Organisation of American States."

Mr Menem's announcement marks a shift in Argentine policy. The government, particularly the army, had ignored claims made by Argentine troops shortly after the war about atrocities committed by British soldiers.

Officials subsequently played down allegations of war crimes first made in 1991 by British ex-servicemen. Former British troops have said in books and in media interviews that they saw troops execute Argentine prisoners after the Battle of Mount Longdon, one of the bloodiest of the 45-day war.

Meanwhile, an Argentine defence ministry official said yesterday that his department began an inquiry of its own last year, in reaction to British investigations, but said it "did not get very far."

The ministry asked Argentine witnesses to come forward with evidence of atrocities, but received only a few calls from ex-combatants, one of whom claimed to have been shot at close range after the Battle of Mount Longdon.

Most of the investigations have been carried out by Britain's ministry of defence and crown prosecution service. Negotiations are under way to allow a visit to Argentina by Scotland Yard detectives to question ex-combatants.

Thai motorway dispute escalates

By William Barnes in Bangkok

A ROW between the Thai government and a consortium building an urgently needed $1bn (£643m) elevated motorway in Bangkok escalated yesterday with the government's demand that the road be opened tomorrow even though it is unfinished.

The government said the motorway had to be opened because the traffic jams in Bangkok had "become unbearable and (were) considered an immediate national crisis." But the consortium's engineers say opening two-thirds of an incomplete road is more likely to disrupt than ease traffic flows in the capital.

Mr Takao Ninomiya, managing director of Bangkok Expressway, the consortium led by Kumagai Gumi of Japan, said the demand was "really unexpected and actually unbelievable." The consortium countered by offering the government 90-days' free use of the road on condition that it commits itself to solving the dispute in that time. However, it is refusing responsibility for accidents on any part of the motorway put into operation before final completion.

Because the Bangkok Metropolitan Authority has been slow to deliver land, four of the 18 exit and entry ramps remain "ski-jumps." Six others have no traffic lights or road markings.

In what is considered a vital test case because of the huge investment needed in Thai infrastructure, consortium members and banks accuse the government of breaking its contract, notably with a decision to cut the previously agreed toll fee because of political opposition within the ruling coalition. Government ministers admit failing to stick to the letter of the contract but say foreign investors are financially protected.

Foreign and Thai banks which committed Bt20bn (£518m) to the project have suspended loan disbursements to the consortium since March because of the row.

NEWS: INTERNATIONAL

Japan seeks help to stem yen rise

By Robert Thomson in Tokyo

THE JAPANESE government warned yesterday that the yen's rapid appreciation is jeopardising the country's economic recovery and sought international intervention to ensure that Japan will be able to contribute to world growth.

Finance and trade ministers hinted at the need for co-ordinated intervention following a record close in Tokyo of Y107.38 to the dollar. They said the currency's fluctuations, blamed on "speculators," has undermined a recent spending package designed to stimulate the ailing economy.

A flood of gloomy profit forecasts this week by Japanese manufacturers expecting to be hit hard by yen appreciation and a fall yesterday in employment figures have stirred fears in the government that the recovery expected in the autumn will not materialise.

The government is particularly concerned because the immediate effect of the yen's appreciation will be to push the country's already embarrassing trade surplus even higher, while a continued slowing of the domestic economy would reduce demand for imports and encourage manufacturers to export.

Mr Masakuni Murakami, the labour minister, said that the ratio of job offers to applicants fell to 0.84 in April, down from 0.88 in March and from 1.08 last June, and suggested that demand for new employees is still softening and will "take some time" to recover.

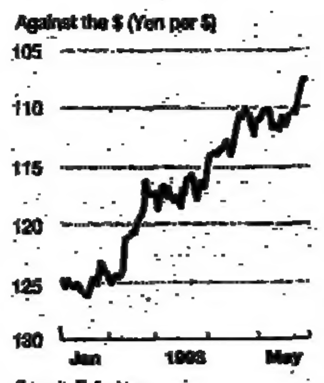
Working hours also slipped from an average of 44.4 a week in March to 41.3 in April, reflecting companies' attempts to cut costs by reducing overtime and encouraging employees to take extra holidays. The seasonally adjusted unemployment rate was unchanged at 2.3 per cent.

The electronics sector and car manufacturing are under increasing pressure from the yen's appreciation.

Mr Yoshiro Hayashi, the finance minister, said that "appropriate steps" should be taken to curb the yen's rise and hinted that Japan would like co-ordinated intervention by the Group of Seven leading industrialised nations, which appears unlikely.

Yen

Against the $ (Yen per $)



Source: Datastream

Opposition agrees changes to poll system

By Robert Thomson

JAPAN'S leading opposition parties reached a partial agreement yesterday on reforming the country's scandal-stained electoral system, putting pressure on the ruling Liberal Democratic Party to produce an acceptable counter proposal.

Mr Kiichi Miyazawa, the prime minister, promised last night that he will pursue reforms to cleanse the political system, but the LDP is divided into groups for and against change, and it remains unclear in which camp Mr Miyazawa stands.

Six opposition parties agreed at a summit meeting yesterday that the present system of multi-seat constituencies is prone to corruption and should be replaced by a mix of single-seat constituencies and proportional representation, but they failed to agree on the details of the mix.

The LDP claims to be in favour of a single-seat system, which would ensure it a comfortable parliamentary majority, and will attempt to shift the responsibility for reform back to the opposition parties, knowing that they will not easily reach agreement.

Parliament's present sitting lasts for three more weeks. However the parties have only a week in which to reach agreement, as politicians will then be expected to stop haggling in deference to Prince Naruhito, the heir to the throne, who is to be married in the following week.

Meanwhile, Mr Miyazawa is very keen to give the impression that he favours reform, leaving the task of reaching a consensus to other members of his divided party, which is missing the calming influence of Mr Shin Kanemaru, the fallen LDP godfather whose own corruption partly inspired the drive for reform.

UN brings the vote to Cambodia's outback

Victor Mallet on the logistics involved in getting the country's electorate to the polls

BRINGING democracy to the Cambodian outback is no easy task for the United Nations.

To reach villages like Phum Talat in the remote north-east, you need a Russian Mi-17 helicopter powerful enough to carry a mobile polling station and lift itself out of the glutinously muddy rice-fields used as landing pads.

You need the three Uruguayan soldiers, armed with guns, grenades and dark glasses, to defend the UN election team in case of attack by Khmer Rouge guerrillas; the young Australian radio operator; the Ghanaian policeman wearing little black gumboots and a US army helmet two sizes too big, who shepherds voters to cardboard voting booths under a mango tree; the Russian flight crew; and the Cambodian election officers.

You need men like Giuseppe Andreoli of the Italian carabinieri, who jokes with barefoot women voters while he checks for weapons with a metal detector, and Lt-Col Surjit Singh, the magnificently moustachioed international polling station officer, recently retired from the Indian army.

In 15 minutes the polling station is established. Voters, summoned by shouts across the fields, arrive on foot or by dugout canoe. The headman of Talat (population: 193) tells people to vote, and they vote; soon the tables and chairs are packed to be helicoptered to the next village.

As if confronted by 19th century Christian missionaries, the villagers are baffled but delighted by the novelty of this week's UN-organised elections.

Some of the communities in this part of Stung Treng province are too small and too remote even to merit the attentions of government intimidators who have murdered and threatened opposition politicians across Cambodia.

There are no party agents to monitor the election, and none has been to the village to campaign. Many people are unaware of the existence of the government, let alone the opposition parties. They have never voted before and most are mystified by the ballot papers on which they are supposed to leave a pencil mark. The last visit by a government official was about two years back, but Khmer Rouge soldiers came through only three days ago to borrow a boat to cross the river.

The village has no school and no doctor. Illiteracy and malaria are so common that UN volunteers question the value of their efforts to preach the gospel of western democracy to Cambodian peasants.

"It's not very logical in a way to talk about democracy to people who are dying of malaria," says Linda Trudel, a Canadian district electoral supervisor. "We ask them if they have any questions and they say, 'yes, do you have any medicine for malaria?'"

In these remote and peaceful villages in the jungle, where pot-bellied pigs grunt contentedly in their mud-wallows and girls aged six smoke home-made cigarettes, the impact of the UN could be short-lived.

Sixty-seven people voted in Rompot, the last village on Lt-Col Singh's circuit, although there are only 60 registered voters. "It's a small village," he says. "People have got nothing else to do."

Rompot's inhabitants are left with the tables and chairs, and what is probably the first pollution they have ever known: plastic wrappers from US military MREs ("Meals Ready to Eat") provided as rations to the election workers.

Talat and Rompot are also left with the memory of a big white helicopter. People cluster round to touch the beast which terrified their water buffalo and peer inside before it disappears again for ever. "I want," says one man, "to buy it."

Smoking a pipe, a Lao Khmer tribesman gets ready to vote at a mobile polling station in northeastern Cambodia yesterday

Pretoria reaches accord with PAC

By Michael Holman and Patti Waldmeir in Johannesburg

THE SOUTH AFRICAN government and the ultra-radical Pan Africanist Congress yesterday patched up a row over the arrest of PAC members earlier this week, allowing multi-party constitutional talks to resume.

The agreement between Pretoria and the PAC involved a government commitment to free three senior PAC leaders and a parallel accord by the PAC to make clear by Tuesday whether it supports armed struggle and the guerrilla campaign of its armed wing, the Azanian People's Liberation Army.

A fourth leader, political affairs secretary Jackie Seroke, will be charged and the government will make a full report on the continued detention of other PAC members.

The government was forced to release the leaders after a minister was severely chastised on Thursday by the multi-party body negotiating the country's post-apartheid constitution.

The 26-party body summoned law and order minister Mr Hernus Kriel to explain a raid earlier this week in which 75 PAC members were detained. All but 28 remained in custody yesterday afternoon.

Mr Cyril Ramaphosa, the secretary general of the African National Congress, yesterday pointed out that the Thursday meeting signalled a major shift in power from the white dominated government to the multi-racial negotiating forum (which has no executive powers, but has begun to behave as a de-facto parliament).

Pakistan budget likely in June

By Farhan Bokhari in Islamabad

THE GOVERNMENT of Pakistan's newly reinstated prime minister Mr Nawaz Sharif is expected to present the country's annual budget in mid-June.

The budget is seen as one of the government's most important tests after Mr Sharif, who had been sacked by President Ghulam Ishaq Khan, was swept back to office on Wednesday by a supreme court decision.

Pakistan's budget deficit for the fiscal year ending on June 30 is estimated to have risen to over Rupees100bn (£2.47bn) against a target of Rupees65bn giving added urgency to this year's budget.

Strains on the economy have also intensified due to a fall in the country's official and private foreign exchange reserves during the past month, as businesses became increasingly nervous over the growing political uncertainty.

Many companies expect that the end of the financial year will see economic growth falling to just over 4 per cent, from over 6 per cent earlier. However, the government has not given a recent estimate of economic performance during the year.

The drop in growth resulted partly from lower agricultural output – last year's heavy floods caused widespread damage to the cotton crop, considered the most important among the major crops.

The government is planning a conference in Islamabad soon to assure business leaders that the economic reform programme remains on track.

China in bid for oil partners

THE vice-president of China's sole petroleum producer will visit Belgium, Italy and Oman to seek partners in exploring the Tarim basin, believed to have rich oil deposits, AP reports from Beijing. Mr Qiu Zhongjian of China National Petroleum is to leave next week on the 18-day trip, according to the newspaper China Daily.

China announced early this year that it was opening to foreign exploration the Tarim basin, in the far-west Xinjiang region. Over 80 foreign companies have applied and a round of bidding is expected this year, the newspaper said.

● Shanghai's new oil exchange, which is expected to integrate China's oil market into world markets, has officially opened, the China Daily reported yesterday.

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BA staff on brink of strike

By Robert Taylor, Labour Correspondent

BRITISH AIRWAYS cabin crews and ground staff will strike next week if the company fails to resolve its differences with them over pay and conditions.

Such a stoppage would ground BA's fleet in the UK and abroad, severely disrupting schedules.

Informal talks will be held during the weekend between BA and the Transport and General Workers union that represents the employees. Formal negotiations are expected on Wednesday.

Mr Bill Morris, TGWU general secretary, said the union had decided not to disrupt BA's holiday traffic because it wished to minimise inconvenience to passengers and provide "a breathing space" for BA to resolve long-standing problems with its staff.

BA last night welcomed the decision not to call a strike during the bank holiday weekend and said it was "confident that talks with the TGWU will avoid any disruption".

An immediate and indefinite staff travel embargo will be imposed on all BA flights if industrial disruption occurs, and wide-ranging contingency plans are ready to try to limit the effects of a strike.

Mr Morris said: "Should BA fail then strike action will be taken next week at a time and in a form to be determined." He made it clear, however, that all the TGWU's 17,000 members at BA would be involved in any strike.

Union officials are demanding that the airline does not use any more contract labour in its operations without the agreement of the TGWU. Staff also do not want inferior terms and conditions imposed on them by newly created subsidiary companies.

BA says it has no plans to create more subsidiaries without consultation with the unions, and it will not reduce pay or conditions unless the only alternative is closure or disposal of parts of the business because of unsustainable losses.

Mr Morris said he had written to BA chairman Sir Colin Marshall urging serious talks. He hoped management would "at long last" seek agreement with the TGWU in the light of the union's ballot. This had a 51 per cent turnout of which 62 per cent backed a strike call and 84 per cent supported industrial disruption short of a strike.

Further pressure can be expected on BA at the end of next week from its pilots, who are being balloted on strike action and other forms of disruption in protest at the alleged imposition of inferior terms and conditions. The result of that ballot will be announced on Friday.

Pits expected to draw few bidders

By Michael Smith

BRITISH COAL yesterday advertised the leases of the first four pits it no longer wants – Easington, Bolsover, Cotgrave and Silverhill – but there are likely to be few bidders.

The four are among the least attractive of the 20 pits British Coal is putting out to tender over the next few weeks. Bolsover has virtually no reserves left.

In addition, the advertisements come at the end of a week which has confirmed how difficult it will be for any miner, in the public or private sector, to find a market for coal.

In response to a British Coal offer to provide subsidised coal at less than two thirds of production costs, National Power, the main electricity generator and the largest consumer of coal in the UK, said it would only consider how much coal to take in the autumn.

Both National Power and PowerGen, the only other generator in England and Wales, have coal stocks more than three times higher than they want. If there was no political pressure on them they would buy no more than they have already contracted for.

Young Group, the independent miner previously thought to be one of the likeliest bidders, yesterday ruled itself out of the race for the 20 pits. Mr Brian Calver, chief executive, said: "We do not think there is sufficient market."

He added: "It is reasonable to suppose British Coal knows what it is doing and is getting rid of the 20 with the worst assets and the least chance of winning markets. We ought to be able to run at lower costs than British Coal but not to that degree."

Young is saving its energies for the privatisation of British Coal in two to three years and may make a bid then.

Mr Malcolm Edwards, former commercial director of British Coal, is considering bidding for some of the 20 but none of the first four. "I do not think there will be a lot of players," he said.

Mr Richard Budge, chief executive of RJB Mining, will be pleased if that remains the case. His company is completing its flotation on the London stock exchange. He said yesterday that would bid for the licence to run Easington.

Sunk in 1899, Easington was one of the last two pits in the Durham coalfield when it ceased production this month. In 1947, when the industry was nationalised, Durham had 128 collieries employing 108,000 men.

Easington produced 1.3m tonnes of coal last year, which Mr Budge said was of "beautiful quality" and could be sold into the domestic and industrial markets. He plans to bid for up to 11 pits in the belief that British Coal's concentration on the electricity-supply market leaves gaps in other markets.

RJB will have its work cut out if it wins the Easington licence. According to John T Boyd, the US consultancy, Easington had the least potential of 21 pits it inspected last year as part of the government's review of its pit closure plans.

Cotgrave and Silverhill, in Nottinghamshire, also seem certain of bids, although not necessarily for their coal. The Union of Democratic Mineworkers has joined forces with Vista Partnership, a private consortium, in an attempt to build domestic waste recycling and disposal facilities on the sites of abandoned pits.

Eagle Trust charges dropped

CHARGES BROUGHT against two businessmen in connection with Eagle Trust, the Midlands mini-conglomerate, were dropped by the Serious Fraud Office yesterday, John Mason writes.

Mr Richard Smith, a former Eagle Trust managing director, was due for trial at Wolverhampton Crown Court on four charges of theft involving £11.5m allegedly stolen from the company and one of deception.

Mr Leslie Goodwin, a former chairman of Connect Parcels, the delivery company, faced two theft charges involving £11.5m and one of providing false information.

Not guilty verdicts on all counts were returned at the direction of the judge.

The trial of Mr Martin Baker, a former Eagle Trust finance director, will go ahead on September 6. He is charged with four counts of theft involving £12.25m.

All three had stood trial with Mr John Ferriday, former Eagle Trust chairman and chief executive, but proceedings were postponed after the judge ruled they should be tried separately.

Light tanks of the Life Guards and Blues and Royals travel in a three-quarter mile convoy along the M4 yesterday on their way back to Windsor after Thursday's Horse Guards Parade ceremony

Brent council rates lowest in service study

By John Authers

THE Conservative-controlled London borough of Brent provides council tax-payers with the worst level of customer service in the UK, a survey published yesterday shows.

BEM Research, a market research company, produced the study by asking "mystery callers" to contact each local authority in the UK, asking the same questions about council tax each time.

In Brent, they found a two-hour queue of 170 people, while telephone inquiries were put on hold for 10 minutes then cut off. In Labour-controlled Waltham Forest, which finished 413th out of 414 in the survey, a caller was told: "We do not deal with any inquiries on Tuesday. We close to catch up with our paperwork."

Problems with computer systems were seen as the main difficulty for poor performers, followed by inadequately prepared staff.

Top performers were Labour-controlled Wolverhampton, followed by South Somerset (Liberal Democrat) and Amber Valley (Labour). Following them were Ashfield (Labour), the Western Isles (independent), Gravesham (Split) and Sunderland (Labour).

Only 24 authorities scored below 60 per cent on the overall performance rating used, but many staff were unable to answer basic queries. For example, nearly one fifth of authorities were unable to say how much a caller was paying in council tax, and 86 authorities could not explain transitional relief. Local authorities are also preparing to start action against people who do not pay their tax.

The Institute of Revenues, Rating and Valuation will next week hold meeting of more than 300 revenue officers to discuss how best this can be done. It also intends to continue collecting last year's poll tax, 25 per cent of which remains unpaid in inner London.

Mr Nick Baker, of the IRRV, said: "Unlike the poll tax there is provision for those who cannot afford to pay and so there is no excuse for nonpayment."

Enforcing the council tax will be much easier than collecting the poll tax, according to the IRRV.

Coopers sheds 49 partners

COOPERS & LYBRAND, the accountancy firm, has shed 49 partners in the last year, figures released yesterday show. The firm announced the admission of 36 new partners, bringing the total to 702 in May compared with 715 at this time last year.

The firm said a disproportionate number of partners had decided to retire, partly reflecting those taken on when Coopers merged with Deloitte in 1990.

Addis plant closes

ADDIS, the plastics group, said yesterday that its Hertford factory was closing with the loss of about 275 jobs. About 50 would be offered transfers to Swansea or to Haverhill, Suffolk.

Britain attacked over bias against trade unionists

By Robert Taylor, Labour Correspondent

BRITAIN WAS condemned by the International Labour Organisation yesterday for failing to provide effective legal protection for workers facing discrimination by employers because of trade union activities.

This follows a complaint to the Geneva-based organisation in 1991 by the Trades Union Congress about a number of trade unionists who were unable to find a job or were dismissed for being on a recruitment blacklist compiled by the Economic League, an employer-funded organisation.

The organisation's freedom of association committee ruled that Britain had breached convention 98 on the right of unions to organise without discrimination against their members, which it signed in 1949. The judgment has been ratified by the organisation's governing body.

ILO conventions are not legally enforceable, but countries are not compelled to sign them and ministers will be embarrassed by the judgment.

Yesterday's ruling is the ILO's ninth judgment against Britain since 1979 for breaching conventions of good labour practice.

The organisation said in a statement that it was urging the government to extend an express protection in law against blacklisting or other forms of discrimination against workers who belong to trade unions or have been active in them in the past.

It said: "All practices involving the blacklisting of trade union officials or members constitutes a serious threat to the free exercise of trade union rights, and in general governments should take stringent measures to combat such practices."

The TUC had alleged that a number of workers had been unable to find work or had been dismissed by employers shortly after being hired because they appeared to be on a blacklist of militant trade unionists compiled by the Economic League.

In response the government said the workers concerned had their rights fully covered by the 1990 Employment Act, which makes it unlawful for an employer to refuse to employ somebody because of being a trade unionist.

It added that workers who felt victimised could use the civil law to gain redress. The government also pointed out that the activities of the Economic League were not unlawful.

Mr Norman Willis, TUC general secretary, said yesterday that he had written to the new employment secretary Mr David Hunt urging him to act on the ILO decision.

The TUC also intends to appeal to the organisation about the controversial new amendment that was rushed into the government's Trade Union Reform and Employment Rights Bill last week after its committee stage in the House of Lords.

This amendment allows employers to discriminate against trade unionists by denying them pay increases if they refuse to sign personal contracts of employment.

The TUC regards this as a serious threat to union rights.

Mr Willis wrote to Mr Hunt: "Following the logic of today's decision from the ILO, Britain would be committing a further violation of ILO convention 98 if it passed into law the amendment introduced into the bill earlier this week."

CBI seeks talks on insurance

By Richard Lapper

THE CONFEDERATION of British Industry has called for an urgent meeting with the Department of Trade and Industry following reports this week that many City businesses could face steep rises in the cost of terrorism insurance.

The call comes after protests from the Association of British Insurers about possible increases of up to 300 per cent in premium rates following last month's Bishopsgate bomb.

Mr John Pollard, policy adviser to the CBI's company affairs directorate, said rises "would place an intolerable burden on hundreds of firms, particularly those in the City of London".

He added: "Rates are not normally increased in the middle of the insurance year, based on one incident."

The British Insurance and Investment Brokers Association also gave a strong warning. Ms Ruth Rooley, its director, said increases would further damage the City of London as an international finance centre by frightening companies away.

"To change the insurance rating for a new scheme in mid-term would be virtually unprecedented in the past 20 years," she added.

Claims ruling satisfies Names and Lloyd's

By Richard Lapper

LLOYD'S of London and 113 Names – individuals whose assets support the insurance market – both claimed victory following a Court of Appeal ruling yesterday.

The case, heard by Sir Thomas Bingham, Master of the Rolls, involves the rights of Names to recover directly claims on personal stop-loss insurance policies – personal reinsurance which covers heavy losses.

Lloyd's appealed against an original judgment by Mr Justice Tuckey, made in March.

He ruled that claims under the stop-loss policies should be paid directly to Names rather than to the premium trust funds, which contain premium income earned by Lloyd's underwriters from insurance business.

The appeal court upheld part of Mr Justice Tuckey's original judgment but said that claims under stop-loss policies could not be paid directly to Names where these policies had been irrevocably assigned by letter or policy wording to the trust funds. It also ruled that monies paid into premium trust funds for the purposes of establishing solvency for the 1991 year could not be returned to Names.

Mr Michael Freeman, the solicitor who represented the 113 Names in the case, said the decision was of "very great importance" to many Names who "will now be able to pay the recoveries to the banks and insurance companies who gave guarantees to Lloyd's and are now threatening the homes and farms of Names".

Mr Freeman said the ruling would help another group of Names who are seeking direct access to tax rebates paid earlier this year by the US tax authorities.

Lloyd's said that the ruling would bring "a substantial benefit to its solvency".

It said that policies which assign any claims irrevocably to the premium trust funds were increasingly common.

College 'efficiency' revealed

By John Authers

OXFORD University and Imperial College, London, are among the 10 universities which make the highest call on public funds per student, according to figures published yesterday.

Tables produced for the Higher Education Funding Council for England and published in the Times Higher Education Supplement show the amount of money per student received by higher education establishments.

The figures are meant as a broad indicator of efficiency, but they make no attempt to take quality into account.

However, they suggest that new universities, which converted from polytechnics last year, do not deliver their service significantly more cheaply than older universities.

The 10 costliest general higher education bodies include six former polytechnics, five of them in greater London, two colleges of London University (Imperial and Birkbeck), and Oxford and Essex universities.

The most efficient spender was Chester College of Higher Education, while the rest of the top 10 included four former polytechnics, three other higher education colleges, and two "old" universities.

Among further education colleges, the most expensive higher education courses were provided by the City of Westminster College, followed by Westminster College, London, and Hounslow Borough College. The cheapest further education college was Cordwainers, in Hackney, London, followed by Worcester and Herefordshire technology colleges.

St Bartholomew's Hospital in London, which is threatened with closure in the autumn, is shown to be the most efficient specialist institution, while the most expensive were the Royal Academy of Music and the Royal College of Art.

The council intends to publish details of relative costs for each subject next week, but did not intend to publish the broader league table.

The council added that it was not yet fully confident the figures took all factors of efficiency into account, which was why it had not wanted to publish them, but said they were the "best shot yet" at measuring efficiency.

Members of the council's performance-indicators working party suggested that funds from other sources should be taken into account, according to the THES.

Heads issue threat over league tables

By John Authers

HEAD TEACHERS are threatening the government with legal action if it carries out plans to publish league tables based on schools' performance in the national curriculum tests in England and Wales.

Tests for 14-year-olds are due to start on June 7 but have been boycotted by the three largest teachers' unions. The National Association of Head Teachers has said this would make league tables meaningless and it has advised its members not to help in providing results.

Mr David Hart, the association's general secretary, also objects to league tables of A-level and GCSE results, which were published for the first time last year and contained several errors.

In a letter to Mr John Patten, the education secretary, Mr Hart said: "The NAHT has taken legal advice and has been informed that it would be possible for a governing body to take legal action against your department's contractors, and the department itself, if errors, which are not the fault of the school, are published in respect of the 1993 GCSE and A-level examinations and national curriculum results."

Mr Patten refused to comment on the threat of legal action. The Department for Education said this was "hypothetical". It said most errors last year were the fault of schools, not the department.

Multiple birth adds fuel to NHS rationing debate

The world's latest set of surviving sextuplets has sparked a very public ethical debate, writes Alan Pike

A POTENTIALLY combustible debate about rationing healthcare has smouldered this week following the birth of sextuplets to a woman who received fertility treatment.

The fact that the sextuplets are only the sixth surviving set in the world was soon overshadowed by the revelation that the parents are not married and do not live together. This has prompted discussion about the ethics of fertility treatment and, more broadly, whether it should be available in the National Health Service when financial pressures are high.

Ministers and many NHS managers try to avoid speaking of healthcare rationing, referring instead to priority setting. The disguised issue appeared again this week in a report from the Audit Commission on strengthening the role of purchasers – district health authorities, family health services authorities and GP fundholders.

The report said: "Positive decisions about what to commission should be openly set alongside any decisions about what is unaffordable."

In reality treatment is rationed in all healthcare systems, but the NHS's traditional rationing mechanism – the waiting list – managed to maintain the illusion that everything was eventually available. But under the 1991 reforms purchasing authorities have to make explicit decisions on the amounts of treatments they are prepared to buy.

There is growing recognition in the medical profession that rationing is unavoidable. A significant turning point came last year when the British Medical Association accepted it as "an unfortunate fact of life" and called for it to be formalised by agreement between the Department of Health and the medical profession.

The government has shied away from establishing national treatment priorities, however, believing that specific decisions should be taken locally within broad requirements for treatment to meet the needs of patients, to offer good outcomes related to quality of life and represent value for money.

In response a number of health authorities have launched consultation exercises to involve the public in priority setting decisions. In West Yorkshire the Bradford and Airedale authorities and their local family health services authority published details of a draft 1993-94 health plan in local newspapers and sought comments.

Public responses highlighted concerns that might have gone unconsidered by planners – such as the need to focus more attention on accident prevention among elderly people – but also illustrated the difficulty of such exercises. The greatest number of public objections was to proposed increases in provision for terminations of pregnancy, chiefly on grounds of principle.

Another problem with rationing is a lack of consensus about priorities between doctors and the public. City and Hackney district health authority in London asked members of the public, GPs and hospital consultants to rank 16 potential services in order of importance.

High technology operations such as heart and liver transplants, rated fourth in importance by the public, came 12th in the doctors' rankings. Less glamorous services such as community care and mental illness provision, which were among the doctors' top priorities, came much lower down the public's list. Consensus was reached only at the bottom of the list with fertility treatment, alternative medicine and cosmetic surgery gaining low marks.

Final decisions are made by doctors and managers, whose priorities are not always the same. The doctors' traditional stance is to shun anything that smacks of making choices between patients, but the increase of managerial tasks for the medical profession has drawn them into the rationing debate.

Another step towards formal recognition of rationing will be taken this year when medical students at St Andrew's University become the first in Britain to take a course in priority setting as part of their professional training. An all-party group of MPs recently visited the university to examine the course, which has been running informally this academic year.

Dr Mo Malek, a health economist responsible for the course, said there was a recognition among young people entering medical training that priority setting could not be avoided.

He said: "There was a time when doctors would react with horror on moral grounds to any suggestion of rationing. But it can be argued that it is immoral not to ration if a doctor is devoting resources to one patient without considering the impact on others.

"Acceptance that priorities must be set at least means decisions can be made in a way that is democratic and open to discussion and criticism."

Clarke in low-key start at Treasury

By Peter Norman and Emma Tucker

MR KENNETH CLARKE, the new chancellor, took command of the Treasury yesterday and immediately closeted himself with his second-in-command and fellow cabinet member Mr Michael Portillo, the chief secretary.

It was a low-key start for a big step in Mr Clarke's cabinet career. But some Whitehall-watchers accorded it more than usual significance.

They said that if Mr Clarke could forge an alliance with the right-wing Mr Portillo, he would be the strongest minister in the government and able to reassert the Treasury's authority in Whitehall. To achieve this, however, Mr Clarke would probably have to take an even tougher line on cutting public spending than Mr Norman Lamont would have done.

Mr Clarke was welcomed into the Treasury by Mr Portillo and by Sir Terence Burns, the permanent secretary, and later met senior officials. He asked for briefing papers on the key issues facing the department and will return next Wednesday, during the parliamentary recess, for a full programme of discussions on policy.

Public spending is at the top of the new chancellor's agenda because difficult decisions on priorities have to be taken soon before the autumn negotiations with spending ministries get under way.

Mr Clarke impressed officials with his practical approach to problems. One said that he doubted whether he had arrived at the Treasury "with life all worked out". Others, while regretting the nature of Mr Lamont's departure, were looking forward to the return of a political heavyweight to 11 Downing Street.

Although Mr Clarke has never worked as a Treasury minister he has experience of economic issues. He shared in the decision to take sterling out of the European exchange rate mechanism and was a member of the EDX committee of ministers which pushed through last year's tight spending round.

In the mid-1980s he was a member of the "Star Chamber" committee charged with pruning excess public expenditure and won admiration from Treasury officials for his determination to keep spending under control.

Yesterday saw the departure from the Treasury of Mr Rupert Darwall, one of Mr Lamont's political advisers. It is expected that Mr Bill Robinson, Mr Lamont's senior adviser who was brought into the Treasury in 1991 from the independent Institute for Fiscal Studies to help with tax reform, will leave soon.

Mr Clarke will be bringing Ms Tessa Keswick and Mr David Ruffley from the Home Office to spearhead his personal staff.

Speculation on other moves in the Treasury centred on the gaunt Mr Jeremy Heywood, Mr Lamont's 30-year-old private secretary. Mr Heyward has had a meteoric career in the Treasury under Mr Lamont's wing. He was also private secretary to Mr Lamont when he was financial secretary and chief secretary at the Treasury.

Mr Heyword's subsequent move to head the former chancellor's private office raised a few eyebrows among older officials, who saw it as too big a promotion. He is thought to be due for a move because of the strains of the private office job.

Other changes in the Treasury are likely to be limited, at least until plans for the unified Budget in November have been completed.

Possible contenders for Mr Heyward's job are Mr Adam Sharples and Mr Jim Hibberd, officials who are more senior than Mr Hayward was when he got the job.

Generally, Mr Clarke's move to the Treasury has been welcomed. One official said: "We are pleased that he is coming. We are talking about a set of employees who have been extremely depressed for a long time, especially since the devaluation of the pound."

Kenneth Clarke with permanent secretary Sir Terence Burns and chief secretary Michael Portillo

Ashley Ashwood

Thatcherite lashes out after sacking

By Ralph Atkins

MR JOHN MAJOR'S attempts to promote loyalist Tory MPs in his reshuffle of the ministerial ranks below the cabinet provoked a backlash from a rightwing victim yesterday.

Mr Edward Leigh, the Thatcherite junior minister at the department of trade and industry until Thursday, said he had been sacked because of his widely-known opposition to government policies, particularly Maastricht.

With Tory Euro-sceptics eager to find new champions, Mr Leigh warned the prime minister: "He [Mr Major] obviously feels that I argued my corner too strongly within government and I will have to argue it even more strongly from the backbenches."

Mr Leigh predicted on BBC radio that Mr Norman Lamont might also "argue his corner very forcefully from the backbenches".

The prime minister has brought other right wingers into the government, perhaps to compensate for Mr Leigh's exit. Mr Iain Sproat, a close ally of Mrs Margaret [now Baroness] Thatcher until he lost his Aberdeen south seat in 1983, becomes deputy to Mr Peter Brooke, national heritage secretary. Mr Sproat won the Harwich seat in last year's general election.

Mr Michael Brown, the right-wing MP for Brigg and Cleethorpes, has joined the whips' office.

Some Conservatives regret Mr Major did not make more radical changes. But in Northern Ireland there was cynicism among local politicians at Mr Major's decision to move Mr Jeremy Hanley from his job as junior minister with responsibility for political talks to the Ministry of Defence.

Mr Hanley's replacement is Mr Michael Ancram, the aristocratic Scottish Catholic Conservative MP for Devizes – another former MP who re-entered at the last election. Although his Catholicism should not be any handicap, the nuances of Ulster's politics will have to be mastered swiftly if the government is to re-start talks soon.

A more prominent theme has been the preference given to loyal supporters of Mr Major. Backbenchers joining the government include the moderate but astute Mr John Bowis, MP for Battersea who joins the health department.

Among those promoted were Mr Timothy Yeo, who as MP for Suffolk South is part of the "East Anglia Mafia" that increasingly dominates the cabinet, including Mr John Gummer, Mrs Gillian Shephard, Mr John MacGregor and Mr Major himself. Those criticising Mr Major for not going further in reshaping the government included Mr Peter Temple-Morris, the normally loyal and Tory MP for Leominster.

In further attempts to soothe wounds, Mr William Hague, the former parliamentary private secretary to Mr Norman Lamont, was appointed a junior minister at the department of health.

MR PATRICK Nicholls, the Conservative MP for Teignbridge who resigned as junior environment minister in 1990 after being charged with driving under the influence of alcohol, was appointed a Tory party vice-chairman yesterday. He will have special responsibility for campaigning.

Mr Eric Pickles, MP for Brentford and former Tory leader of Bradford council, was appointed vice-chairman in charge of local government affairs.

Reshuffle leaves City in the dark

By James Blitz, Economics Staff

AFTER the high political drama of the previous day, financial market dealers packed up for the holiday weekend last night amid uncertainty as to what Mr Kenneth Clarke's appointment as chancellor would mean for trading in sterling, equities and government bonds.

Questions about future government policy has led to a sharp weakening of sterling on the foreign exchanges.

In the 1¼ trading days since Mr Clarke became chancellor no clear consensus has emerged from the markets on what his policy will be on inflation, the value of sterling or the state of the public finances.

"We are really in the dark about Mr Clarke," said Mr Ian Beauchamp, chief economist at Hambros in London. "Unlike the last three chancellors he has never been in the Treasury before and his real views are still a mystery."

The main impetus for sterling's weakness has been renewed strength of the D-Mark amid fresh tensions in the European exchange rate mechanism and a belief that German interest rate cuts are on hold.

On top of this the change of chancellor has, as one dealer said yesterday, left sterling looking rudderless. The pound closed down 3 pfennigs against the D-Mark yesterday at DM2.4775. That left it more than 4 pfennigs weaker than it had been on Wednesday night.

Gilt prices have also suffered, falling a point yesterday amid concerns that Mr Clarke, who is on the left of his party, could take a softer line on UK monetary policy and public finances. UK share prices, however, have barely moved since Mr Clarke's appointment, with the FT-SE 100 index of leading industrial shares closing last night down 14.6 points at 2,840.7 amid weakness in US stocks.

Mr Keith Skeoch, chief economist at James Capel in London, believes the prevailing view in markets towards the impact of the reshuffle at the moment is "suck it and see".

"Lamont's departure and Clarke's arrival are unlikely to result in any broad change in the direction of UK economic policy," he said. "Besides, the markets had assumed that Lamont would be going a long time ago, the only issue was when."

However, some believe Mr Clarke is more likely to cut UK base rates from their current levels than Mr Lamont was. "This fellow is more of a politician than anything else," said Mr Mark Brett, an economist at BZW in London. "I would have thought there was more chance of a rate cut under Mr Clarke, to keep political momentum going."

However, Mr Kevin Gardiner, UK economist at Warburg's, believes Mr Clarke will not be as easy on the public sector borrowing requirement as he might like to be.

Mr Gardiner believes one of the most important decisions made by Mr John Major, the prime minister, this week was to retain Mr Michael Portillo as chief secretary to the Treasury.

"He has been confirmed in that post and will continue to be very tough on public spending," he said.

Market dictates speedy memoirs

By Raymond Snoddy

MR NORMAN Lamont, the backbench MP, will have to be very fast and very frank if he hopes to make even a modest killing from his memoirs.

Mr Julian Rivers, marketing director of bookstore chain Dillons, said: "A biography of Lamont would be a disaster. An autobiography could be a big success but only if he writes it now, while he is still angry."

Mr Matthew Evans, chairman of Faber & Faber, which is publishing the memoirs of former home secretary Kenneth Baker, believes the Lamont story could be worth up to £200,000, but only if it was produced quickly – ideally this year. "If he goes on the back benches for three years then it's worth £10,000," Mr Evans added.

W.H.Smith, the UK's largest bookseller, warned that political memoirs rarely sold well, with Liberal Democrat reminiscences faring much worse than their political rivals. A W.H.Smith executive said: "Just look at the cut-price tables. They're all there."

A Norman Lamont political life would only work, the executive added, "if he moved quickly, got someone to write it for him and he told the truth".

Publishers are sure the former chancellor has a few interesting stories to tell if he chooses to, such as what really happened on Black Wednesday, the day Britain left the European exchange rate mechanism last September.

Lady Thatcher is now dominating the world of political memoirs, just as she dominated political life when she was prime minister.

Harper Collins is reported to have paid an advance of £3.2m and her 800-page tome is expected to reach the bookshops in October. By comparison Sir Edward Heath, who was commissioned by Weidenfeld in 1985, has not completed his work.

Lamont returns to backbench beat

By Gillian Tett

ON HIS first day back on the beat of an ordinary backbench MP, Mr Norman Lamont was at pains to show that it was business as usual in his Kingston constituency in the south-west suburbs of London.

People who visited him on constituency concerns had varying views of how the former chancellor was facing up to his loss of office.

Mr Jan Korff said he looked "fine" and fairly relaxed, but Mr Laurie Fedder said he seemed downbeat.

"He was looking pretty grim," said Mr Fedder, who said that when he had made the appointment three or four weeks ago he had been intending to see the chancellor of the exchequer.

Mr Lamont drove to his weekly surgery at the local Conservative party headquarters in a grey Vauxhall Cavalier. As he arrived, he showed little sign of the strain of the previous days. Mr Ron Gill, chairman of the Kingston and Malden Conservative Association, said the local constituency party would be glad to see more of him.

Mr Adam Burt, a friend and former political agent for Mr Lamont, said after meeting Mr Lamont that he "looked relaxed and very happy. He did not look tense. He did not appear bitter at all."

Mr Burt added that he thought the events of the last few days were "disgraceful". He added: "Mr Lamont said he would like to stay in politics."

● Mr Lamont told the Grimsby Evening Telegraph yesterday that he expected to take about a week to move out of 11 Downing Street, writes Ralph Atkins.

Choosing his mother's local paper, rather than the national press, for his first post-resignation comments, Mr Lamont said he hoped to visit Grimsby soon. He refused to discuss the row over his resignation.

Policy choices facing chancellor

MR JOHN MAJOR yesterday said that Mr Kenneth Clarke's appointment signified no change in economic policy, but to what extent will the new chancellor's hands be tied?

The first pointers will come as the finance bill implementing the measures Mr Norman Lamont announced in his March Budget completes its passage through parliament.

There certainly appears to be little prospect of a U-turn on the controversial imposition of value added tax on domestic fuel, much as Labour may bay for one.

If he wanted to change Mr Lamont's VAT plans before the finance bill is enacted, Mr Clarke would hand Labour the chance to force two high-profile and potentially damaging Commons debates on the subject. When MPs debated the proposals this month two Tories staged an embarrassing rebellion and the government scraped home by 10 votes.

But there are a number of reasons why Mr Clarke may not regard his predecessor's legacy as absolutely sacrosanct. These could give him a powerful incentive to try and persuade his cabinet colleagues to back his judgment.

First, it would be unreasonable to expect the new chancellor to be as attached to every detail of the March package as was its author, his predecessor. He might be prepared to tolerate, for example, some fine-tuning of Mr Lamont's proposed reform of the North Sea tax regime – especially if he was convinced it would not cost the Exchequer money.

Second, there would be few surer ways of stamping his authority on his new portfolio for a politician who is not averse to dramatic gestures.

Third – and perhaps most persuasively – some of Mr Lamont's proposals are not covered by the finance bill and could be altered without headline-grabbing and potentially risky parliamentary debates.

Into this category falls the planned 1 percentage point increase in employees' National Insurance contribution rates, which is aimed at raising £1.5bn in 1994-95 and £2.3bn the following year.

The legislation enshrining this will not reach parliament until November at the earliest. Mr Clarke could modify the proposal at any time with a simple announcement.

Similarly, Mr Lamont's plans to widen the 20 per cent band of income tax are not fully incorporated into the current finance bill. The committee of MPs considering the bill is due to debate widening the band by £500 to the first £2,500 of taxable income the week after next. But Mr Lamont's proposal to extend it further to the £3,000 level is not included in the bill.

Mr Clarke could send out an early signal of his intention to get to grips with the public sector borrowing requirement by announcing the second phase of this extension had been scrapped. This would save the Treasury an estimated £320m next year and £450m the year after that.

David Owen

MR KENNETH CLARKE, the new chancellor of the exchequer, has been urged to give the Bank of England sole responsibility for setting interest rates in Britain, Peter Norman writes.

A report published today by the influential European Policy Forum said Britain's present inflation target should be the subject of a contract between the government and the Bank's governor so that the UK could be "locked in" to a low-inflation economic policy. It also said the Bank should set target ranges for the growth of money supply.

Mr Frank Vibert, the report's author, said such steps would allow Britain to keep pace with moves to central-bank independence in the European Monetary System.

The Independence of the Bank of England and the Maastricht Treaty. European Policy Forum, 20 Queen Anne's Gate, London SW1H 9AA. £5.

Japanese cars take 22% of output

By Kevin Done, Motor Industry Correspondent

JAPANESE carmakers accounted for more than a fifth of UK car production in the first three months of the year, according to figures from the Society of Motor Manufacturers and Traders.

Nissan, which began producing cars at its £900m Sunderland plant in 1986, overtook Vauxhall for the first time to claim third place behind Rover and Ford.

The three Japanese carmakers Nissan, Toyota and Honda, which have all located their first European car plants in the UK, produced 80,065 cars in Britain in the first quarter of the year, or 22 per cent of total UK car output.

Overall UK car production in the first three months increased by 6.2 per cent to 364,509 from 343,318 in the same period a year ago, as rising output from the Japanese producers more than compensated for lower production from the traditional volume carmakers in the UK, Rover, Ford of the US, Vauxhall, the UK subsidiary of General Motors of the US, and Peugeot.

Nissan, which is planning to raise production at its Sunderland plant by 51 per cent this year to 270,000 from 179,000 in 1992, increased output year-on-year in the first quarter by 88 per cent to 70,058.

Honda, which began output at its Swindon plant last October, produced 5,199 cars in the first quarter and is planning to produce 32,000 cars in the whole of 1993.

Toyota output at its plant at Burnaston near Derby, which was opened in December, totalled 4,808 in the first three months and is expected to reach 36,000 in the full year.

Rover, Ford and Vauxhall all produced fewer cars in the first quarter than in the same period a year ago with Ford car output falling by 17 per cent to 75,561.

The traditional volume carmakers in Britain are all feeling the impact of the sharp decline in new car sales in continental Europe, although the impact is being cushioned in part by the greatly improved competitiveness of the UK as a production source for the pan-European carmakers.

According to GM the two Vauxhall assembly plants in the UK are now its lowest cost plants in west Europe.

Commercial vehicle production fell by 11.4 per cent in the first three months. Output has been hit in part by the collapse into receivership of Leyland Daf in early February.

Output continued at both the Leyland Daf vans plant at Birmingham and at the truck assembly plant at Leyland, Lancashire but at a much lower level than a year ago.

UK VEHICLE PRODUCTION

	1993 Jan-Mar	1992 Jan-Mar	1993/92 % Change
CARS			
Total	364,509	343,318	+6.2
Rover (British Aerospace)	100,256	104,283	-3.9
– cars††	87,558	94,937	-7.8
– Range Rover/Discovery	12,698	9,346	+35.9
Ford (excl. Jaguar)	75,561	91,306	-17.2
Jaguar (Ford)	7,163	5,563	+29.1
Vauxhall (General Motors)	69,082	73,518	-6.0
IBC Vehicles (GM/Isuzu)†	10,814	6,068	+78.2
Lotus (GM)	70	338	-79.3
Nissan	70,058	37,279	+87.9
Peugeot	20,384	23,611	-13.7
Honda	5,199	-	-
Toyota	4,808	-	-
Rolls-Royce (Vickers)	263	348	-24.4
COMMERCIAL VEHICLES			
Total	59,199	66,849	-11.4
Ford	41,205	39,106	+5.4
Rover (British Aerospace)	5,101	6,001	-15.0
– car-derived vans	354	1,016	-65.2
– Land Rover Defender	4,747	4,985	-4.8
Leyland DAF Vans	2,755	5,468	-49.6
IBC Vehicles (GM/Isuzu)**	2,684	5,613	-52.2
Vauxhall (General Motors)*	3,760	5,129	-26.7
Leyland Daf Trucks (Receiver)	1,395	2,535	-45.0
Iveco-Ford (Fiat)	679	1,305	-48.0
ERF	563	547	+2.9
Dennis (Trinity Holdings)	329	312	+5.4
Seddon Atkinson (Fiat)	198	260	-24.6
Renault Truck Industries	166	279	-40.5
Volvo Bus	211	107	+97.2

*Car-derived vans. **Medium and small vans sold in Europe variously under Vauxhall, Isuzu, GME, Bedford and Suzuki names. †Opel/Vauxhall Frontera. ††Includes Honda Concerto.

Source: Society of Motor Manufacturers and Traders

Leyland Daf Vans, which has been taken over out of receivership by a management buy-out, produced 2,755 vans in the first quarter, a 49.6 per cent fall from the same period a year ago.

The Leyland Daf truck plant, which is still in receivership, suffered a 45 per cent drop in output. Negotiations on a rescue of the plant are expected to be completed in the next two weeks.

Heseltine turns down OFT advice

MR MICHAEL Heseltine, trade and industry secretary, has overturned recommendations by the Monopolies and Mergers Commission and Sir Bryan Carsberg, director general of fair trading, that South Yorkshire Transport, a Sheffield bus company, should sell four rival bus companies acquired in 1989, Robert Rice writes.

The company was ordered to sell Sheffield and District Transport, Sheafline (PSV), SUT and Michael Groves after a 1990 MMC report found the acquisitions were against the public interest.

Implementation of the recommendations was suspended pending the outcome of a legal challenge of to the report's findings.

After the Law Lords ruled against the company last December the Office of Fair Trading carried out a review of bus services in the Sheffield area which concluded that the company should still be required to sell.

Mr Heseltine said yesterday he agreed with Sir Bryan's assessment that competition concerns remained, but he had decided on balance to ask him first to try to negotiate behavioural undertakings from the company.

Minister proposes moves to speed housing buying

By Gillian Tett

MEASURES TO speed the process of house buying are to be introduced in an effort to boost the housing market recovery, the environment department said yesterday.

The proposals, which would force local authorities in England and Wales to reply to standard land-search inquiries within a statutory period and give the public greater access to land information, are due to be announced by Sir George Young, housing minister, in a speech to the National Association of Estate Agents tonight.

A government consultative document examining ways of improving purchasing procedures, and guaranteeing the public's access to property information in accordance with the Citizen's Charter, is due to be issued in the next few weeks.

Proposals for the creation of a national land information system are also under discussion.

The environment department said yesterday the initiative was in response to a "clear recognition" that the present purchasing procedure needed to be speeded up.

Sir George, noting that "just about every housing market indicator" was pointing to a recovery, said: "There is considerable evidence of pent-up demand. There are clear signs that buyers who have been holding back waiting for the housing market to pick up are now becoming active."

Mr David Goldsworthy, president of the National Association of Estate Agents, said yesterday that estate agents would welcome the initiative, which they had been demanding for some time.

"At the moment so much time is wasted by people in local authorities dragging their feet," he said.

DTI lends ASB top hand

THE ACCOUNTING Standards Board is to recruit a senior official from the Department of Trade and Industry to help it make accounts easier to understand, Andrew Jack writes.

Mr Michael Butcher, head of accounting and audit policy at the DTI, is to join the board on secondment for at least a year from August.

He will help to make draft standards issued by the board less wordy and technical.

He will also start work on a two-three year project producing guidelines on the inclusion of a statement in annual accounts to clarify financial information to non-professionals.

Mr David Tweedie, head of the board, has long said he wants to make accounts more understandable. But critics have accused the ASB of producing standards that are highly technical and increasingly difficult for non-professional investors to use.

Mr Butcher will become secretary to the board but there will be no change to its number of staff.

The appointment has been driven partly by demands on the time of Sir Ron Dearing, chairman of the financial reporting council, the board's parent body, in his role as School Curriculum and Assessment Authority chairman.

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Siren voices for Mr Clarke

IN THE 1960s, the name of the hero was Reginald Maudling; in the 1970s, it was Anthony Barber; in the 1980s, far more unluckily, it was Nigel Lawson. Is it to be Kenneth Clarke in the 1990s?

In each of the three previous decades, a Conservative chancellor of the exchequer has inherited an economy suffering from high unemployment. Each time he has found good reasons to "go for growth"; each time the experiment has been welcomed; but each time it has subsequently been condemned, along with its begetter. To make this mistake once was perhaps a misfortune. To do so twice already looked like carelessness. But to do it a fourth time, would, in a just world, discredit the Tories completely.

This is, however, the trap into which a self-confident, yet economically untutored man like Kenneth Clarke is most likely to fall. He will be advised by his political friends to ignore orthodox advisers discredited by past failures. But it would take a mixture of a saint and a hero not to ignore any politically uncomfortable messages.

With only the financial markets as discipline, the choice will be largely up to Mr Clarke. His position within the government must be as strong as any chancellor's in living memory. Unlike Mr Lamont, hapless servant of his predecessor and boss, Mr Clarke may decide for himself. But first he has to listen.

Whispers in his ear

"Growth is what we need, old boy," his party colleagues must already be whispering in his ear. "Ignore that fellow Portillo, far too Thatcherite. Already discredited by that kite about prescription charges for the elderly. It will be bad enough keeping to existing spending plans, never mind cutting them further.

"It's all very well for Major to talk about protecting vulnerable groups in society. Vulnerable groups don't vote for us. Most of them don't even vote. The vulnerable group that matters is us. Can't bash our voters with the longest recession since the 1930s, falling house prices, negative equity, unemployment and then make them pay university fees for their kids. Abolish their mortgage interest relief, child benefit and state pensions? Suicide.

"What's that about higher taxation? Lamont threatened an extra £10bn two years hence. That's quite enough. Higher income tax? You haven't been on the job very long. You'd have to double the income tax take to get rid of this year's £50bn borrowing requirement. Raising the basic rate of tax to 30p gives a measly £8bn. Game's not worth the candle.

"We have to offer our bit of the great British public more of what they want, not less. Growth's what we need. 3½ per cent a year for a few years and that deficit will just melt away. What about inflation? Don't worry about that. Leave the worrying to Mr George at the Bank of England, so long as you don't let him do anything about it. Wages? We need higher wages. It makes people feel good. Two to three years of fast growth, another election, big majority; then the hair shirt, if you must."

Inflation target

The same points, more elegantly expressed, are to be found in the press. So which advice will Mr Clarke listen to? Will it be the siren voices? Will it be his orthodox advisers? Ideally, it will be neither.

Once it becomes obvious that the chancellor has a target for economic growth, expectations in the labour market will alter. So will expectations in the gilts markets. But financial markets cannot be trusted to see the danger in time. They did not in the 1980s. Yet the time to worry about inflation is not at the end of the next expansion. The time is now, at the beginning of a recovery. The chancellor should delay interest rate cuts. He should also confirm the 1-4 per cent inflation target. Ideally, he would also take a leaf from the German economic book he is supposed to admire and push for an independent central bank.

Where he should part company from his advisers is over their apparent view that the exchange rate is just a tool of counter-inflationary policy. Real exchange rates matter, since they determine the prospects for all businesses subject to international competition. His aim should be to use his present, possibly brief window of opportunity to rebalance policy aggressively and, if necessary, subsequently offset tighter fiscal policy by lower interest and exchange rates. The unified Budget due in November is his chance. If the government is to be safe from all mishap, it must double the size of the phased fiscal adjustment Mr Lamont proposed last March.

Mr Clarke can be another "go for growth" hero of the hour or he can build on the low inflation achieved by his predecessors. To choose the latter course is politically and even economically risky. To choose the former is not risky at all, since the ultimate result is rather certain. No prudent chancellor would act on the assumption that the UK economy will float away from its troubles on a tide of rapid growth. The next six months will show whether Mr Clarke is going to be a prudent chancellor, or another gambler.

The Tory party must choose between power and revenge, says **Philip Stephens**

Pull together, or fall apart

Now the Conservative party must make up its mind. Fair or otherwise, Mr John Major has removed the fault-line in his cabinet. Mr Norman Lamont's departure was a necessary condition for the prime minister's survival. But it was not sufficient. Now it is for his party, exhausted and faction-riven, to decide whether it has, any longer, the will to govern.

The first response was not encouraging. The disgruntled, disenchanted and irreconcilable on the Tory backbenches once again filled the airwaves. For some, Mr Major had not done enough. The game of musical chairs which had accompanied Mr Lamont's sacking had smacked of timidity rather than firm government.

Others – on the Euro-sceptic right – were busy laying down publicly the conditions under which Mr Kenneth Clarke could run the Treasury: no return to the exchange rate mechanism, real cuts in the welfare state. Hard to remember that the Conservatives once were the party of unity.

In private conversations there was not even the pretence of common cause. How close Mr Clarke was now to the premiership was the rhetorical question of one ministerial colleague. The Tories still have a sense of history. Had not Mr Anthony Eden sealed his fate as prime minister when in 1955 he had made Mr Harold MacMillan his chancellor?

What were we to make of Mr Michael Heseltine's public admission that Mr Lamont had been a scapegoat, queried another loyal colleague. He answered the question himself: Mr Heseltine was positioning himself for a leadership contest.

Then there was the synthetic shock at Mr Lamont's departure. For months now MPs across the party have been complaining that the government's fortunes were irrecoverable as long Mr Lamont stayed in Number 11 Downing Street.

After the defeats in Newbury and the county council elections on May 6, the clamour became deafening. If Mr Major did not listen, he would be considered weak, wounded, and vulnerable to a leadership challenge in the autumn. The best Mr Lamont's colleagues could offer when asked to defend the then chancellor was a doleful flick of the eyebrows, an embarrassed glance at scuffed shoes.

Anyone who followed close-up the campaign against Mr Lamont cannot escape one conclusion: if the former chancellor was betrayed, it was not by Mr Major but by his party. That includes many Mr Lamont might still number among his political friends. They found no time to consider the justice of it all as they waited in eager anticipation on Thursday morning for the summons to 10 Downing Street.

By yesterday Mr Michael Howard, the newly-promoted home secretary, was dismissing the recriminations as "tittle-tattle". Mr Heseltine reminded us that politics had always been a "ruthless business". But that sounds too polite for the modern Tory party.

Mr Major's only hope now is that is that after a year on the edge of the abyss, the government's supporters at Westminster will come to their collective senses. The choice is a straightforward one: between power and revenge.

He might be lucky. The recession has ended. By the end of the July the bitter struggle over the Maastricht treaty should be over. For all the apparent lack of inspiration in the reshuffle which accompanied Mr Lamont's departure, the re-arranging of the place mats around the cabinet table could make a difference. The new line-up may well reinforce the impression that Mr Major is the creature rather than the master of his cabinet. The authority of Messrs Clarke, Hurd, Howard and Heseltine will be unchallengeable.

But if his colleagues manage to contain their personal ambitions, the prime minister should be able to turn their political effectiveness to his own advantage.

Mr Clarke is an accomplished operator – described by Lord Tebbit, no less, as the best politician in the cabinet. His formidable skills should allow the government to draw maximum advantage from the slow process of economic recovery. He should restore to management of the economy an impression at least that the government has retrieved its grip. At times like this, political weight is worth much more than detailed comprehension of the Treasury's monetary motorways.

The medium problems facing the British economy (see below) – a £1bn-a-week borrowing requirement, an inflation psychology which has been suppressed rather than extinguished – have not departed with Mr Lamont.

But in the short term, low inflation and the emerging recovery provide Mr Clarke with a valuable breathing space. And if more pain is required in the November budget – on the spending, the tax or on both sides of the Treasury's balance sheet – the new chancellor is as good as any to placate his colleagues on the backbenches.

Mr Clarke's easy relationship with Mr Douglas Hurd (he ran the foreign secretary's unsuccessful leadership campaign in 1990) and with Mr Heseltine carries with it obvious advantages. The government's policy towards Europe will be shaped by a chancellor and foreign secretary who share the same outlook. The Treasury now has a master sympathetic rather than antagonistic to the ambitions of the department of trade and industry. Mr David Hunt's appointment to head employment completes the picture. A former acolyte of Mr Heseltine, Mr Hunt shares the view that government can longer afford to be indifferent to the fate of industry.

Mr Howard, of course, is not a member of the same One-Nation team. But his promotion to the Home Office will be well-received among the party's activists. Now anointed as the candidate of the right, he will offer the government's supporters on the ground the reassurance they have been demanding that it is prepared to be tough on crime. And for now, Mr Howard's interest lies in Mr Major's leadership.

All of this will count for nothing unless the party at Westminster is willing to endorse the prime minister's words, that tomorrow is more important than yesterday. Fourteen years in government, the enforced departure of Lady Thatcher and the war over Maastricht have torn apart the fabric of loyalty on which Conservative governments could once depend.

Restoring the habit of discipline will not be easy. The wounds inflicted by Maastricht will not be healed by the appointment to the Treasury of a enthusiast for Europe. Lady Thatcher and Lord Tebbit have yet to have their say on the treaty in the House of Lords.

And brooding in the background stands Mr Lamont. Convinced that he has been betrayed, the former chancellor must decide whether he values his reputation above revenge. He does not have the authority enjoyed by the then Mr Nigel Lawson and Sir Geoffrey Howe when they delivered from the backbenches their devastating indictments of Mrs Margaret Thatcher's government. Mr Major though has a parliamentary majority of only 18. It is likely to be reduced to 17 after what promises to be another devastating defeat in the Christchurch by-election. It takes fewer than a dozen malcontents on the backbenches to destabilise his government. Mr Lamont could expect to mobilise substantially more.

Thursday was meant to mark a new beginning for Mr Major's government. It might. But only if the Conservatives rediscover the will to govern. If not, it will mark the beginning of the end.

Peter Norman sifts through Kenneth Clarke's in-tray

Steady hand at the helm

It's is a fair bet that Mr Kenneth Clarke will have left the Treasury last night after his first day as chancellor with nautical metaphors ringing in his ears.

"Don't rock the boat," and "steady as she goes" is the advice that the mandarins of Great George Street hope the new tenant of Number 11 Downing Street will take to heart as he wades through red boxes of briefing papers during next week's parliamentary recess.

The timing of Mr Norman Lamont's departure – with the economy in recovery, and between this year's March and November Budgets – means that there is no immediate economic pressure on Mr Clarke to act.

Although his appointment prompted some calls for a further cut in bank base rates from their present 6 per cent, the Treasury will have moved quickly to quash such an idea.

Both the Treasury and Bank of England fear that lower interest rates could boost inflation and risk pushing the underlying inflation rate through the upper limit of the government's 1 to 4 per cent target range.

More important, Mr Clarke will be told – politely, of course – that financial markets would take fright if a new chancellor with no previous economic policy experience started to throw his weight around.

Timing and mood are everything in monetary policy. The financial markets already think too many base rate cuts over the past two and half years have been politically motivated.

A brief spell of masterly inactivity might give Mr Clarke that air of gravitas needed for the successful conduct of monetary policy as well as time to swot up the jargon he will need to carry off his June 15 Mansion House Speech to the City with aplomb.

The dossiers dealing with the UK's public sector borrowing requirement of £50bn, equivalent to 8 per cent of national output, will make for less comfortable reading. Here the new chancellor will be urged to plan decisive action.

Mr Michael Portillo, the able chief secretary to the Treasury, warned 10 days ago that Britain's primary deficit – that is, the deficit excluding debt interest – is already the highest in the European Community. The choice facing Mr Clarke is to cut this by tax increases or spending reductions.

The Treasury will probably urge him to focus on spending cuts, even though scare stories about proposed attacks on the welfare state have done much to unsettle the government over the past month.

There is political as well as economic logic behind such a move. Mr. Clarke's clear support for spending cuts would make an ally of Mr Portillo and assuage the Tory right wing, which would be hostile to tax increases. It would win over the Treasury establishment to the new chancellor's side and strengthen the Treasury against the rest of Whitehall.

Tiny portrait on an epic scale

The latest book on Lonrho's chief reveals the full range of his virtues and vices, writes **John Plender**

Whatever else may be said about Tom Bower's new book on Tiny Rowland of Lonrho, it is not – *pace* Mr Rowland – dull. How could it be, given the nature of the man in question? The individual who has been the driving force behind this sprawling international conglomerate admittedly has his fair share of standard entrepreneurial characteristics: the giant ego, mercurial temperament, preference for malleable courtiers and vindictiveness towards those who cross or fail him. But in Rowland's case the virtues and vices are on a colossal scale. And then, of course, there is his love affair with Africa.

There are few less promising territories for large-scale Western entrepreneurship than sub-Saharan black Africa. With a total GNP that ranks no greater than one of the smaller European economies, the region has resolutely failed to take off economically. Yet Tiny Rowland made this difficult continent his stamping ground and forged close relationships with numerous black African leaders.

As Tom Bower underlines, in his exhaustively researched account, Rowland has benefited handsomely from his courtship of the Africans. Indeed, his great achievement after thirty odd-years has been to extract an enormous amount of cash for himself from a company which has suffered from severe constraints on the remittance of profits and many of whose assets in black Africa have been difficult to realise.

The rewards have come via a frequently over-generous dividend policy, a regal pay package and, finally, the sale of part of his share stake to the mysterious German entrepreneur Dieter Bock. But despite cashing in a majority of his chips, he has retained a position as joint managing director and chief executive alongside Bock, and thus, for the moment, his jet-setting life style and *entrée* to all those black African heads of state.

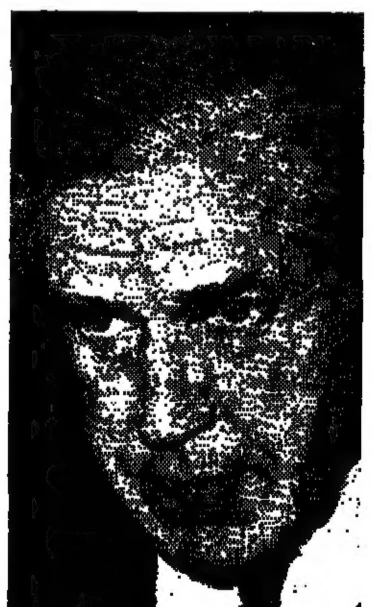
There was a time, after the great boardroom battle over governance issues in the early 1970s – the revolt of Sir Basil Smallpiece and the 'Straight Eight' directors – when the small shareholders who flocked to Tiny's banner would take any-

TINY ROWLAND – A REBEL TYCOON
By Tom Bower
Heinemann, £16.99, pp659

thing on trust. But when the irrepressible tycoon, now past 75, surveyed his flock at Lonrho's last annual general meeting there were signs of growing impatience. And not before time. For all Rowland's tireless activity, Lonrho's earnings record has been patchy and the dividend has had to be cut in the midst a cash crisis. Worse, Rowland sold his shares to Bock at a premium over the market price, leaving others in the lurch. Bock, meantime, remains an unknown quantity to be taken on Tiny's say so, as he comes closer to taking his *congé*.

But thus it ever was with Lonrho. Rowland's style has always been that of the 19th century buccaneer and it will never be trimmed to suit the requirements of best accountancy practice or the finer points of the Cadbury Report. There has long been ample evidence, for those who contemplated entrusting their money to his stewardship, of the warts-and-all nature of the investment. Also of the hit-and-miss nature of Tiny's management style. Spectacular successes, for example, in mining in Africa or in vehicle distribution in Europe have been matched by equally spectacular failures such as the decline of the loss-making Observer and the attempt to develop the Wankel rotary engine, where the rights were recently sold for a nominal sum.

Nor is there anything new about cash crises. Lonrho's history has been punctuated with them, just as



Tiny Rowland: buccaneer style

it has been by critical government reports and official hostility. The amazing thing is that a company whose finances have often appeared to have been held together by string should have survived so long and paid out so much in dividends.

Bower's account may not cast much light on where Lonrho goes from here, or on the background and intentions of Mr Bock. His description of the protracted battle with Mohamed Fayed for control of Harrods – the noisiest case in corporate history of the pot calling the kettle black – is comprehensive without adding greatly to what is already known. But there are plenty of nuggets scattered throughout the book. And it raises serious questions about the extent of the benefits to black Africa of Lonrho's activities.

While the company has promoted valuable projects across Africa, Bower puts a plausible case that the Africans failed to benefit as they should have done because of the venality of such men as Dr Hastings Banda of Malawi and Kenneth Kaunda of Zambia who dispensed monopoly rights to Lonrho. And he alleges instances of bribery of high-ranking Africans out of an account called 'General Expenses' at Lonrho's Cheapside headquarters.

It is, admittedly, a moot point whether Africans would have been better off if moral scruples had prevented trade or investment in countries where economic power has been concentrated in the hands of a single, repressive ruler like Dr Banda. And certainly throughout the Lonrho saga the British government has been wedded to realpolitik on such issues, whether dealing with trade sanctions against Rhodesia or the specific problem of bribes. Bower recounts that when DTI inspectors investigating Lonrho in the 1970s consulted the Foreign & Commonwealth Office about such payments, they were asked to draw a discreet veil over the subject to prevent damage to British interests.

Rowland might well argue that he has constantly been attacked for doing what countless others have done. But then, from his expressions of sympathy for the Nazis while at school in Hampshire to his outbursts against Edward Heath and the then Mrs Thatcher during the Fayed imbroglio, he has never hesitated to make things needlessly difficult for himself. But he does at least have a talent to amuse. This week's three-sentence press release on the publication of Bower's book, baldly headed 'Statement by Tiny Rowland', declared: "I very much regret that a boring and unrecognisable account of my life should have been published today entitled 'A Rebel Tycoon'. None of the interesting bits are in. I know many people, but, thank God, not the author."

It is a characteristic gem, but not one which should deter any potential reader of the book.

David Buchan examines signs of a thaw in the traditionally uneasy Anglo-French relationship

Springtime in Paris

It would perhaps be going too far to say that in the two months since the new French government came to power, Britain's relations with its cross-Channel neighbour have become better than at any point in the past two decades.

But there was no mistaking the reciprocated warmth in Mr John Major's second meeting with his new French counterpart, Mr Edouard Balladur, in Paris yesterday. Speaking in general terms about their two-hour chat, the UK prime minister said he could not recall a time when Anglo-French relations were "in better shape".

Mr Balladur was more concrete in citing the Gatt trade negotiations as an example of where the two leaders had decided to make a fresh effort to bridge their countries' real differences. The French prime minister even volunteered his "gratitude" for the "help" of Mr John Gummer, then the UK agriculture minister, in reaching an EC farm agreement this week. (Mr Gummer was given the environment portfolio in Thursday's cabinet reshuffle.)

In fact, Britain was not trying *particularly* to advance French interests this week in Brussels, though it and others among France's partners clearly hope that Paris has now been sufficiently buttered up to accept the politically awkward oilseeds deal with the US in the next two weeks. But the very fact that he exaggerated the extent of British help shows Mr Balladur's desire to put his best front on his relationship with the UK.

The Gatt endeavour is, in a sense, the key to understanding the new cross-Channel link. It is weaker than Paris's relationship with Bonn, where 30 years of formalised co-operation virtually commit the two partners to succeed in reaching agreement on divisive issues. Paris and London have only committed themselves to *try* to reach agreement. None the less, this could lead to a vast improvement in a relationship whose uneasiness dates back, as Mr Major quipped yesterday, to "William the Conqueror's coming over to Britain with a certain degree of malice aforethought and Henry II's coming to France to conquer half the country and marry the rest".

Why the sudden springtime in Anglo-French relations? It must first be said that there was never a permafrost over Britain's relations with the previous Socialist government. The two countries, for instance, have continued practical military co-operation, despite the abstract arguments about the future of European defence and Nato which were part of the Maastricht treaty negotiations. But for nearly five years France had focused on reaching agreement with Germany on an agenda – including economic and monetary union (Emu) and social policy – which was largely inimical to Britain's ruling Conservatives.

The change in the ideology governing France has helped, but not radically. This is because conservatism differs on either side of the Channel. Under Mr Balladur, France is no longer accusing Britain of social dumping, but that is because UK or UK-based companies (such as Hoover Europe) are no longer the only foreign firms laying off workers in France. Mr Major reiterated his view in Paris yesterday that the EC's social charter was a recipe for "job destruction" – a stance which no French government could publicly support, even though Mr Balladur clearly shares much of Mr Major's concern about Europe's growing lack of competitiveness.

France is now pursuing privatisation – aping techniques used in British state sell-offs – such as the "le partly paid" equity and "le golden share" from Britain – but stopping short of selling government-owned utilities as the UK government has done. But the question of who owns French industry is of less relevance to the UK than its desire for the government to reduce aid to French companies.

But the nature of the French government is important in another way. Within the RPR Gaullist party, Mr Balladur himself comes from the stable of Georges Pompidou, the man who let Britain into the EC as a kind of counterweight to Germany. Within today's RPR party, too, are some 134 deputies – nearly half its parliamentary strength – who voted against Maastricht in last September's referendum.

Mr Balladur, who as finance minister in late 1987, was the first to propose to his EC colleagues a European central bank. He therefore has Euro-sceptics whom he cannot ignore, just as Mr Major has. And the French prime minister cannot wholly rely on his pro-European coalition partner, the UDF, because its leader, ex-President Giscard d'Estaing, still harbours ambitions for a return to the Elysée.

This has pushed the RPR towards Mr Major's views on the need within the EC for subsidiarity, decentralised decision-making and a closer check on the European Commission. Separately, too, the RPR's right-wing pressure for a crack-down on crime and illegal immigration has led the Balladur government to delay abolition of frontier controls, as foreseen in the Schengen free-travel convention shunned by Britain.

But it is foreign policy, and above all their diplomatic and military involvement in the Bosnian crisis, which has brought the two governments into constant contact. This was true last year, too. But the Balladur government's arrival coincided with Washington's first initiatives. And both London and Paris have reacted allergically to US ideas of bombing Serbs or arming the Moslems. France and Britain are both solidly behind a patient strategy of sanctions.

The length of such strategy will only serve to ingrain the growing habit of Anglo-French diplomatic co-ordination, underlined once again by yesterday's announcement that Mr Douglas Hurd, the UK foreign secretary, will be in Paris for another Bosnian session with Mr Alain Juppé, his French counterpart. The latter has said he sees Britain, as France's fellow United Nations Security Council member and holder of nuclear weapons, playing a key security role in the post-Maastricht EC.

Any such Anglo-French rapprochement on external policy can, however, easily founder on the two governments' fundamental disagreement on economic policy. Not so much on Gatt where Paris may now be able to finesse the agricultural issue with some help from its EC partners. Mr Major yesterday expressed "understanding" for France's farm problems, but stressed "we must find a way through the Gatt tangle this year".

The future flashpoint lies more in monetary policy, where almost no one in France, for all the country's current doldrums, wants to follow Britain out of the Exchange Rate Mechanism. But Paris is reconciled to Mr Major taking a longish time to return sterling to the ERM. Luckily, too, for Mr Major, Mr Balladur shows absolutely no sign of traditional Gallic impatience with the long Maastricht timetable for Emu. The French prime minister scoffs at any post-Maastricht ratification bid to accelerate this timetable, by pointing to the budgetary problems of France and others.

After his lunch with President Mitterrand yesterday, Mr Major paid tribute "to France's longest-serving president for more than a century, who is listened to with great respect", knowing full well that much of the real authority in Paris now lies with Mr Balladur. But the likelihood of Mr Jacques Chirac, the Gaullist leader, winning the 1995 presidential election will return undivided power to the Elysée, and perhaps rock the new-found relationship with Mr Balladur.

If it does not, then Britain stands a chance of having a real say in the 1996 revision of the Maastricht treaty. Instead of shouting on the sidelines, as it did in much of the run-up to Maastricht, it might even join France, and perforce Germany, in setting the agenda. That, Mr Major knows, could put Britain at the centre of Europe.

Appliance of UK science

Clive Cookson on the lessons of this week's white paper

This week's science white paper follows in a long line of government policy statements whose central theme has been the need to harness UK research more effectively to wealth creation.

The reorganisation of the Office of Science and Technology will give industry a bigger say in the way the government distributes its £1.2bn a year science budget. And the technique of "technology foresight" will be introduced to pick those areas of research that are most likely to lead to winning products.

But the evidence suggests that the emphasis of the white paper – adapting the science base to the needs of industry – should be the other way round. The overwhelming priority is for industry to reform itself to make better use of the excellent UK science base. Certainly, the success of the new strategy will depend far more on the attitudes of industrialists than on researchers or the government itself.

International comparisons continue to give a high rating to British science across all subjects from clinical medicine to astrophysics. Its global impact far exceeds what would be expected from the UK's 5 per cent share of the world's research budget.

Analysis by the US Institute for Scientific Information shows that since 1981 the UK spending on science has fallen sharply compared with other industrialised countries, but the output has held up both in quantity and in quality. And there has been no decline in the performance of physics and engineering research compared with chemistry and the life sciences, to match the changes in the pattern of British manufacturing such as the rise of pharmaceuticals and decline of electronics.

In the field of optics and acoustics, for example, UK scientists published 58 per cent more papers during the period 1988-92 than in 1981-85 and their influence – as measured by citations in other scientists' research – rose from 21 per cent to 46 per cent above the world average. Southampton University's opto-electronics research centre made a particularly important discovery in 1987 – how to make optical fibres carry messages for thousands of miles without loss – which Professor Alec Gambling, the director, says will rank in importance with the invention of the transistor. It has already been licensed by more than 30 users worldwide.

In short, British universities and research laboratories offer a healthy flow of scientific expertise and new discoveries. But as Lord Flowers, chairman of the House of Lords science committee and a former rector of Imperial College, put it this week: "Helping the horse to water will do little for his health unless he can be persuaded to drink. British industry must be induced to increase its commitment to research and innovation, or it will continue to fall behind."

Academic leaders understandably hate the idea that they may be forced to devote scarce public funds to industrial research that should be done by industry itself. "Japanese companies invest about three times as much in research, development and training as UK companies – leading to innovative products and processes," Dr David Harrison, chairman of the university vice-chancellors' committee, pointed out in his response to the white paper.

According to the Department of Trade and Industry, UK manufacturers' spending on R&D per employee is less than half that of their competitors in the US and Germany. That is why many of the 800 written submissions during the white paper's consultation period urged the government to introduce direct tax incentives for corporate R&D – an idea which Mr William Waldegrave, the minister for science, rejected on the grounds that special tax subsidies encourage creative accounting and distort commercial investment decisions.

Yet people familiar with industrial research know that discoveries are more likely to be commercialised if they are made and developed in-house than bought in from an outside laboratory – the well-known "not invented here" syndrome.

In fact, exciting results and discoveries are not the main thing that companies want from the science base, according to managers responsible for R&D in industry and the DTI. "Goodies sitting on the universities' shelves are fairly low down the list of priorities," said one.

At the top of the list, by general consensus, is a reliable supply of well-trained scientists and engineers. In that context, the most important policy announced in the white paper may be a shift in postgraduate education: more master's degrees and fewer doctorates. Indeed the normal pattern will be for a student to complete a year's MSc before he or she is considered for a three-year PhD.

The change is intended to reduce the large number of expensively trained PhDs looking for a much smaller number of academic posts – and at the same time give more people industrially oriented skills in the form of an MSc. But it has drawn a lukewarm response from industry.

After trained manpower, industry wants new ideas from the science base. It is here that the government's "technology foresight" proposals for identifying spending priorities could eventually pay a large dividend. The Office of Science and Technology stands a good chance of breaking down the academic-industrial divide if it draws enough experts from universities and industry into the 20 or 30 foresight panels which it plans to set up. They should include young enthusiasts as well as the greying men who have traditionally been delegated to liaise with government.

British science continues to create a vast amount of knowledge and wealth for the world. The national question is whether it can be harnessed more effectively for the UK.

Poles apart but ready to do a deal

Despite Poland's government crisis, the country is poised for recovery, write Anthony Robinson and Christopher Bobinski

One vote decided the outcome of yesterday's no-confidence motion in the Polish parliament. It was that of Mr Zbigniew Dyka, recently sacked as justice minister in the coalition government led by Ms Hanna Suchocka. He turned up too late to vote for the government of which his Christian Nationalist party is a member.

In effect, the government crisis now facing Poland happened by mistake. The minority government succumbed to the vote called by the Solidarity trade union group in parliament despite clear signs that most of the 18 political groups in the 460-seat Sejm, or lower house, neither wanted nor expected a crisis.

But the no-confidence vote, which threatens to leave Poland without effective government just as the first signs of economic recovery are appearing, did not come from nowhere. It followed months of parliamentary skirmishing both within the government coalition, which never enjoyed a parliamentary majority, and between the government and a wide spectrum of opposition parties.

The skirmishing came to a head over two main issues: the tight budget and the government's ambitious privatisation programme.

The strategic aim of the most powerful members of the six-party coalition government has been to run a tight budget capable of retaining the confidence of the International Monetary Fund and foreign investors.

This forced Mr Jerzy Osiatynski, the finance minister, into a series of bruising encounters with the more populist or nationalist members of parliament. Solidarity, in particular, took up the cudgels on behalf of the main losers from the spending curbs – teachers, nurses, other public sector employees, and farmers.

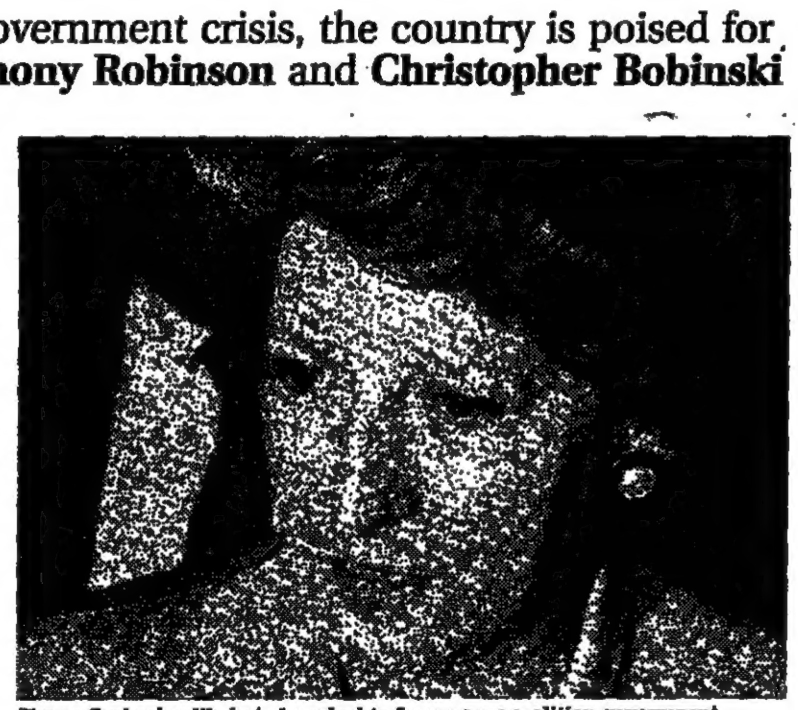
It was Solidarity which insisted that the budget be amended to provide higher pay for teachers and nurses. The government argued that Poles must accept fiscal stringency now to attract the capital needed to create sustained economic growth. It refused to amend the budget, which received the reluctant assent of parliament on February 12 and which set a ceiling on this year's budget deficit of 5.5 per cent of gross domestic product.

The most the government would concede was a promise that it would allow a small increase in salaries if the introduction of value-added tax in July raised revenues above target.

Such tough policies have led to domestic strife for the government but have helped transform Poland's external credit rating. A month after the budget vote the International Monetary Fund approved a $650m standby agreement. This will help Poland secure the full 50 per cent reduction of its $33bn official debt. Under an agreement with the Paris Club of official creditors in March 1991, Poland received debt reduction of 30 per cent immediately and the promise of a further 20 per cent if it abided by strict IMF performance criteria. In addition, the World Bank last month agreed two new loan programmes worth $750m for agricultural reform and bank restructuring.

Support from international institutions has helped reassure foreign investors and set the scene for the most important task facing Poland – the achievement of a debt reduction agreement with the London Club of commercial bank creditors. Poland owes the banks $12.1bn in capital and capitalised interest accumulated since Warsaw stopped servicing the debt in 1989. London Club talks with the banks are due to resume in Paris on June 8. Yesterday's crisis underlines the urgency of reaching a similar 50 per cent reduction agreement.

Paradoxically, the no-confidence vote could help Poland's debt negotiators, as it highlights the difficulty of squeezing more money out of the budget for up-front debt repayment as demanded by the banks. The likelihood is that President Lech Walesa will seek to install a caretaker government to carry on with debt negotiations and other administrative functions.



Hanna Suchocka: likely to be asked to form a new coalition government

Poland's constitution places the initiative firmly in the president's hands. At a cabinet meeting after yesterday's vote, President Walesa refused to accept Ms Suchocka's resignation offer, leaving his options open. He can now either ask Ms Suchocka or another politician to form a new government on the basis of the present parliament, or run the risk of a political vacuum until an election.

Ultimately he could opt to take over as head of a presidential government. But this would saddle him with a responsibility he appears reluctant to accept. He, or any other head of government, would be obliged to demand the same economic sacrifices as Ms Suchocka.

At present, no combination of parties is likely to achieve an overall majority in the current parliament. This might change, however, after an election which would be fought under new electoral rules, approved by parliament only hours after yesterday's no-confidence vote. The new rules mean that parties with less than 5 per cent of the vote cannot be represented in parliament. This is expected to reduce substantially the number of parties and possibly lead to more stable coalitions.

Ms Suchocka, the 47-year-old Poznan lawyer close to the Solidarity movement, has become the most popular politician in Poland. But the four years since Poland became the first former Soviet bloc country to form a non-communist government have also seen a recovery in the political fortunes of former communists.

They are not in a position to form a government, as happened recently after elections in Lithuania. But the former communist SLD has become the largest single group in the Polish parliament. It helped the government push its privatisation plan through last month and is gaining credibility in business as well as political circles as a possible junior partner in a future coalition.

This time the SLD voted as a bloc for the no-confidence motion. But this was only after discreet talks with the Democratic Union about its terms for abstaining. The Union is the former Solidarity mainstream party to which Ms Suchocka belongs, and which formed the core of the outgoing government.

The latest crisis appears to bring closer the day when parties such as the Democratic Union could join forces with the SLD, the self-declared social democratic successors of the now dissolved communist party, or the former communist peasant movement, the PSL.

But at this stage the most likely outcome is the formation of another shaky coalition probably still led by Ms Suchocka. Continued instability will remove any lingering illusions about the political and economic difficulty of eastern European transformation. Poland has had its difficulties and made its share of mistakes. But it is also poised for recovery and enjoys a strong consensus on economic policy. It would be a mistake to overreact to the latest act in its political drama.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Regulation needed to help control executive salaries

From Mr Derek H Broome.

Sir, Sir Owen Green, former chairman of BTR, has said all that is necessary about the affront to employees and shareholders arising from excessive remuneration of executives. Those of us who naively assumed that one of the aims of the London Stock Exchange was to improve corporate governance will be dismayed by your reports about the salary increases to its former chief executive, and the reference to a pay-off after his resignation ("Exchange paid Rawlins £348,500", May 24).

Shareholders should be even more concerned as the stock exchange is one of the principal paymasters of ProShare, which claims to be representative of their interests – *Quis custodiet . . . ?*

It is sadly now clear that self-regulation is not an option, and that government must take early steps to introduce changes to the Companies Act and to set up a regulator to ensure that executives are made responsible to their shareholders. There are more than enough examples to constitute a big scandal.

Derek H Broome,
Potters' End,
Mears Ashby,
Northampton NN6 0DZ

Seeds of economic discontent

From Prof Robert Harkness.

Sir, Official figures for inflation often do not seem to accord with experience. I offer an interesting example of the discrepancy, namely the price of packets of seeds.

I do not throw the old packets away and have them going back up to 10 years, to 1983. Prices that I have looked at have gone up at the rate of about 10 per cent a year over this period and at a very regular progression.

As an example, I would give figures for cabbage seed (winnigstadt). The cost in pence per packet were as follows (some years missing) from 1983: 27, –, 33, 36, 39, 43, –, 51, –, –, 69. If you plot these figures on a log-scale, you will find a beautiful straight line, as though it were company policy to increase prices by 10 per cent a year automatically. A packet of this seed will cost £1 in 1997.

In the course of this exercise, I bought a packet of polyanthus seeds this year at £2.10. Inside there were 20 seeds which I weighed at 21mg, or about 1mg per seed. This works out at just less than £3,000 per ounce, which is very well up on gold.

More examples of particular price inflation would be interesting.

Robert Harkness,
emeritus professor,
University College,
Gower Street,
London WC1

Train will have to take strain

From Mr William Boden.

Sir, As part of the transport secretary's "big public debate" on motorway charges ("Motorway charges scheme provokes opposition", May 27), I put forward a view which has so far been ignored – real investment in the railway network to make it financially advantageous to travel by rail rather than by road. Charging motorway users in order to raise money for more new motorways will not reduce congestion, nor will rail privatisation entice more people to travel by train. They will just add to motorway congestion.

At some point we will have to accept that unlimited private road travel is not possible, both economically and environmentally. It might as well be now.

William Boden,
Winchester,
Hampshire SO22

No reason for allowing BT to be a special case

From Mr Jon Davey.

Sir, Your leader "Cable telecoms" (May 19) invites one clarification, without my encroaching on issues of government policy.

BT has not been, and is not, excluded from the provision of fibre optic networks carrying both entertainment and telecommunications services. Indeed, the Cable Authority accepted BT's plans for such a development in the Thames Valley and awarded the cable franchise for that area to a BT subsidiary rather than its north American competitor. For whatever reason, BT decided subsequently to forgo the opportunity presented to it and it sold the Thames Valley franchise to a North American company, from which it will be facing competition in the provision of telephone services.

In the circumstances it is unclear on what basis BT can expect sympathy either for having part of its market taken away from it or for being deprived of the right to exploit fully any information superhighway it may build in that area or in any other area.

The ITC will be advertising franchises for those parts of the country where there is not yet a cable franchise. BT – or for the time being its subsidiaries – may compete with others for the right to construct and operate in those areas a new network capable of combining entertainment and telecoms.

What your leader suggests is that, for BT only, those processes be abandoned and that instead all necessary rights should simply be bestowed on BT forthwith.

The arguments for by-passing the statutory processes, granting privileges to one company to the exclusion of its competitors and denying to many businesses and householders the possibility of benefiting from competition in telecommunications, surely needs more rigorous examination.

Jon Davey,
director of cable and satellite,
Independent Television Commission,
70 Brompton Road, London SW3 1EY

Education voucher a big step forward in bridging academic and vocational divide

From Mr Alistair Graham.

Sir, Regarding Lisa Wood's article, "Education voucher scheme proposed" (May 25), it is not just the Confederation of British Industry which is taking forward the idea of 16-year-olds receiving vouchers or credits in exchange for education or training.

Calderdale & Kirklees Training and Enterprise Council is taking part in the second round of the Youth Credit pilots. We are being watched more closely than many pilots, because we are the only one to offer a combined education and training option.

Launched in April this year, Next Step is available to some 6,600 young people who now have a genuine and extended career choice.

This Tec believes in reducing the divide that still exists between the education and training establishments, which is why our initiative is built upon a strong partnership between ourselves, two education authorities, colleges, training providers and employers.

Our initiative is not the ideal because we have different funding arrangements for education and training. The proposed education voucher, if linked with the CBI idea of careership, would represent an important step forward in bridging the academic and vocational divide.

Alistair Graham,
chief executive,
Calderdale & Kirklees TEC,
Parkview House,
Woodvale Office Park,
Woodvale Road,
Brighouse HD6 4AB

COMPANY NEWS: UK

Market value falls by £58m as negotiations begin with bankers

Hartstone warns on profits again

By Peggy Hollinger

THE BOARD of Hartstone Group was yesterday locked in negotiations with bankers as the group issued its second profits warning in less than three months.

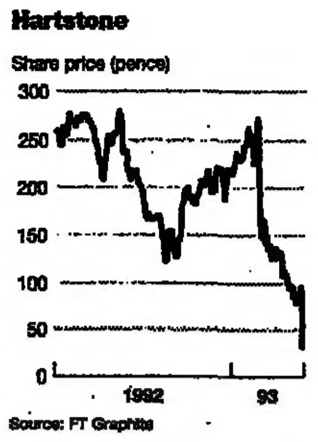
The news sent the shares crashing from 91p to 34p, wiping £58m off the group's market value of £92.9m. The shares have fallen steadily from a high in March of 272p.

They were depressed by the announcement early in March of unexpected restructuring provisions totalling £8.5m and a profits warning. Analysts at that time downgraded their 1993 forecasts from £36m to £23m.

Yesterday Hartstone announced that the provisions would actually total £12m, while profits after exceptionals were not expected to be less than £8m. The final dividend, which in March the group had promised would be increased, will now not be paid.

The company denied that the larger provisions were the result of any one problem.

The Stock Exchange said it had been monitoring the situation for some time. Yesterday's announcement is believed to have made a suspension of the shares unlikely.



Source: FT Graphite

Mr Stephen Barker, who built the company into Europe's third-largest hosiery group and who holds 2 per cent of the company, is to resign as chairman and chief executive with immediate effect. He will remain on the board.

Hartstone announced his departure and the profits warning after an all-night meeting with its financial advisers.

Mr Shaun Dowling, the non-executive director earlier this month promoted to deputy chairman, becomes executive chairman. A new chief executive, and finance director to replace Mr David Grattan, were being sought.

The group's difficulties appear to stem from the deepening recession in Europe, where Hartstone built up a sizeable hosiery business through the £82m acquisition of two companies in 1991.

Analysts speculated that Hartstone was labouring under heavy stock and debt burdens. At the end of 1992, Hartstone was already carrying stock of £85.7m, largely due to the acquisition of the European hosiery groups, a little more than a third of the value of its total sales of £237.8m.

The recession in continental Europe, however, is expected to have made matters worse. Hartstone suffered a sharp downturn in trading in the final quarter and is understood to have a serious cash flow problem.

The group has defaulted on £13.5m in deferred payments for acquisitions, including Michael Stevens and Etienne Aigner, the leathergoods groups based in the US, and Aznar Industrial, the Spanish lingerie group.

Stephen Barker: resigning as chairman and chief executive

Net debt, which at the interim stage was £67m, is estimated to have risen to more than £90m. Gearing is expected to be more than 100 per cent.

Hartstone said yesterday that it had breached at least one banking covenants calling for 2.5 times interest cover. Interest charges at the half-way stage had risen from £1.3m to £3.3m.

See Lex

Low key meeting for ICI demerger

By Paul Abrahams

AT A low key extraordinary meeting yesterday, shareholders of Britain's biggest manufacturer, Imperial Chemical Industries, voted to dismantle the company.

Sir Denys Henderson, chairman, defended the decision to spin off the bioscience division, Zeneca, as well as the way the demerger was handled.

The meeting was attended by only about 300 people, and the giant ballroom at Grosvenor House was abandoned for a smaller location at the hotel. It was far from clear how many were shareholders and how many came from the legion of advisers and lawyers associated with the deal.

Most criticisms of the demerger came from pensioners and individual shareholders. Some opposed the break-up of a company 67 years in the making. One shareholder described the meeting as the most historic in the company's history. Others criticised the amount paid to advisers and directors.

When asked whether the two companies would be vulnerable to a hostile takeover, Sir Denys said the board had decided against poison-pills.

"The two companies will have to perform, helped by cost reductions and strategic positioning. That is the best assurance I can give," he said.

The debate, however, was academic. Sir Denys informed the shareholders that of the 236m proxy votes cast 235m were in favour. The motion was carried with only about 30 people voting against.

Zeneca shares will be listed on the London Stock Exchange on Tuesday, when dealing is expected to start.

Shares in Imperial Chemical Industries ended the last day in their current form down 11p at £12.44. On the grey market Zeneca when-issued shares closed down 8p at 632p ex-rights. Zeneca nil-paid rights ended 7p lower at 37p.

Headline to acquire Hodder & Stoughton

By Raymond Snoddy

HEADLINE Book Publishing, the fast growing British publishing group, has agreed to buy Hodder & Stoughton, the general and educational publisher.

The deal, which will be announced formally next week, will make Headline, founded by Mr Tim Hely Hutchinson in 1986, the second largest British independent publisher after Macmillan.

The acquisition will represent an enormous step forward for Headline, which specialises in popular commercial publishing. The company is taking over a privately owned publisher much larger than itself.

Headline had a turnover of £15.7m in the year to December 1992 with pre-tax profits of £2.05m, a rise of 68 per cent.

Hodder & Stoughton, which publishes both fiction and non-fiction in hardback and mass market paperbacks through Coronet, New English Library and Sceptre, had lower margins. In the year to June 1992 the company had a pre-tax profit of £1.05m on a turnover of £55m.

In the six months to December, however, earning levels increased with pre-tax profits of £1.76m on sales of £30.7m.

On Tuesday Headline asked for its shares to be suspended at 290p because negotiations on a substantial acquisition were at an advanced stage.

In fact, the deal with the family-owned Hodder & Stoughton has already been agreed, and the final legal details are being worked out pending the announcement.

Neither Mr Hely Hutchinson of Headline nor Mr Philip Attenborough, chief executive of Hodder & Stoughton, were available for comment.

It is not clear whether Headline plans to integrate its large acquisition, with implications for jobs, or to run it as a stand alone enterprise.

Hodder & Stoughton has had a difficult time in recent years. In 1990, for example, the company increased sales by 4 per cent to more than £60m but the pre-tax profit was only £850,000.

The company also lost one of its most popular and profitable authors, Jeffrey Archer.

Current Hodder titles include Elizabeth Longford's The Future of the Monarchy and Morgan, the new biography of the novelist EM Forster. The company is also about to publish a new Le Carré novel.

Headline, which last year bought Bookpoint, a book distributor, has shown steady growth in turnover, pre-tax profits and earnings per share over the past five years.

Pre-tax profits have grown from £104,000 in 1988 to their current £2.03m, while earnings per share have risen from 1.5p in 1988 to 11.9p last year. Headline has tended to discover and develop its own authors rather than paying large advances to established writers.

One of its best known authors is, perhaps, Ellis Peters.

William Cook blames US for fall to £3.85m

By Tim Burt

WILLIAM COOK, the Sheffield-based steel castings group, *yesterday blamed a* slide in profits on trading losses of more than £1.5m at its US subsidiary.

Pre-tax profits in the 12 months to March 27 fell from £4.76m to £3.85m on sales down 10 per cent at £100.5m (£111.2m).

Mr Andrew Cook, chairman and chief executive, said poor sales at the Unitcast plant in Toledo, Ohio, had undermined the performance. Losses on disposal of the US business, sold to its management last December for the nominal sum of $10, were £4.7m excluding goodwill. A further £3.2m was written off to reserves in attributable goodwill.

Pre-tax profits benefited from lower exceptional charges of £1.72m (£3.31m) and net interest costs of £2.31m (£2.89m).

Sales in the US fell 62 per cent to £4.57m (£12.1m), while *turnover in the UK declined by* only 3 per cent to £95.9m (£99.1m) and produced a trading profit of £9.47m (£11.5m).

Earnings per share fell from 15.03p to 11.74p. The proposed final dividend is cut from 5p to 3.5p making a halved total for the year of 5p.

"Manufacturing in the US was a disaster," Mr Cook said. "But it remains our strongest export market and we are determined to go on trading there."

Expressing optimism over the group's domestic performance, Mr Cook said order books were being held at "tolerable" levels and borrowings had fallen. "Year-end gearing, even after adjusting net worth for the US write-off, was under 60 per cent," he added.

Castings shows slight downturn to £4.37m

By Catherine Milton

CASTINGS, the West Midlands based iron castings supplier, *yesterday announced pre-tax* profits down slightly at £4.37m for the year ended March 31 compared with £4.46m in the previous period.

Turnover fell to £33.8m against £35.1m. The directors said that "the year has been most unpredictable with a reasonable start, poor middle and an improvement towards the end. We hope it will continue to improve to the levels we enjoyed three years ago."

They added that the brunt of the downturn was borne by the *company's Brownhills site.*

The directors stated that it was "most disappointing" to lose more than £200,000 as a supplier to Leyland DAF, the commercial vehicle maker, which collapsed in February.

The board proposes a final dividend of 3.05p (2.77p) giving a total for the year of 4.35p (4.07p). Earnings per share were 14.3p (14.66p).

Fleming Emerging conversion

Fleming Emerging Markets Investment Trust has announced that the C shares it recently issued will now be converted into ordinary shares, at a ratio based on the net asset values. Conversion will take place on June 21.

The directors have also decided that the trust's net income for the year to June 30 is insufficient to justify paying a dividend.

The trust is run with the aim of achieving capital growth, not income.

Malaya launches expansion plan with deals worth £2.7m

By Tim Burt

MALAYA GROUP, the USM-quoted motor dealership company, yesterday unveiled an ambitious expansion plan which, it claims, could revolutionise the outlet system for vehicle sales in the UK.

Announcing a £1.5m acquisition of Sands of Burnham, one of Britain's largest Citroen dealers, Malaya said it was the first step in a five-year strategy aimed at establishing a network of 55 dealerships around the country.

Unlike traditional dealer networks, usually tied to one make of car, Malaya plans to take advantage of the relaxation of franchising rules to stock vehicles from every leading motor manufacturer.

The network, designed to be an umbrella group for independent dealers, will allow some outlets to remain dedicated to one make, while others will be multi-franchise. As a whole, the network aims to encompass all makes.

Mr Nick Lancaster, who built up the Lancaster dealership group and last year took control of Malaya, said the expansion would be financed through borrowing and a stock placing and open offer to shareholders.

The first part of the scheme – the acquisition of Sands and a separate £1.18m dealership site at Bow, east London – depended on raising £9.6m from a placing due to be completed by June 25, he said.

Malaya has agreed to pay £1.2m in cash for Sands, with additional finance raised through the issue of 1.2m new ordinary shares at 25p each.

Albert E Sharp, which is underwriting the issue, said all the shares had been placed and up to 25 institutional investors were expected to take part.

"After the cash considerations for the Sands and Bow acquisitions, the balance of £7.2m will provide for the increased working capital of the enlarged group and for further acquisitions," the directors said.

The company aims to open 17 dealerships in London and the M25 corridor over the next 18 months and has set its sights on further outlets in Birmingham, Manchester, Leeds, Edinburgh and Glasgow.

Although UK new car sales faltered last month with sales 1.9 per cent down on April 1992, Mr Lancaster forecast strengthening demand and a sharp turnround in profits.

New Devro chief to come from within

By James Buxton

DEVRO, the sausage casings producer which is shortly to be floated on the Stock Exchange, has changed its mind on who to appoint as its chief executive designate and is to pay £390,000 compensation to the man originally offered the post.

Earlier this week, Devro's advisers confirmed that the company was to appoint Mr David Fyfe, 50, who resigned last week as managing director of a division of Hickson International, the specialty chemicals group.

But yesterday Devro said that institutions to whom it had been making pre-flo*tation presentations had indicated a* strong preference for an internal candidate. Accordingly, it has decided to appoint as chief executive Mr Graeme Alexander, 43, currently the company's technical director.

Devro said that "the process with Dr Fyfe has been discontinued by mutual consent and compensation of £390,000 has been agreed."

Mr Alexander will succeed Mr Frank De Angeli, 68, when he steps down later this year. Devro said that the change would "maintain the continuity of the successful management team."

Devro's public relations advisers said yesterday that there had been no reassessment of Mr Fyfe's capabilities in the light *of a statement last week by Mr Dennis* Kerrison, chairman of Hickson, that Mr Fyfe was unlikely to reach board level at Hickson early.

The advisers said the question of Mr Fyfe and the Hickson board was related to the way that board was structured, which is on the lines of a Continental supervisory board.

Devro expects to produce the pathfinder prospectus for its listing in the next few days. The flotation is expected to value the company at about £170m.

Devro is one of the world's leading makers of collagen sausage casings, with plants in Scotland, the US and Australia. It was acquired from Johnson & Johnson of the US in a £108m management buy-out in 1991 and last year made an operating profit of £21.8m on turnover of £82.7m.

Inveresk offer is heavily oversubscribed

By James Buxton

Investors who applied through stockbrokers for shares in Inveresk, the Scotland-based paper maker, are to have their applications drastically scaled down because this part of the offer has been subscribed 6.6 times.

Of the 22.6m shares priced at 150p each which were on offer, 7.9m were made available to intermediaries, and the rest placed firm with institutions.

Applications were received for 51.8m of the 7.9m shares.

Applicants who applied for up to 2.5m shares each will receive 16 per cent of the number applied for. Applicants for more than 2.5m shares will receive 8.3 per cent.

Mosaic shares drop to 19p as trading resumes

By Paul Taylor

SHARES IN Mosaic Investments, the Birmingham-based mini-conglomerate which has been reorganising its business and finances for the last nine months, fell by two-thirds to 19p when they resumed trading yesterday.

The shares were suspended on September 29 last year at 60p after the group had failed to raise finance for the redemption of preference shares and had to pass a dividend it had already announced.

Since then Mr Hugh Sykes, chairman and company doctor, has been putting together the complex restructuring and reorganisation package.

A sharp reduction in the share price had been expected following the restructuring which included debt for equity swaps and lifted the number of issued shares from 17.1m to 34.4m.

The restructuring, approved by shareholders at an extraordinary meeting earlier this week, involved converting preference shares into ordinary shares at the rate of 20p each.

Mr Greg Hutchings, chief executive of Tomkins, who has been on Mosaic's board since 1987 has now resigned as a non-executive director in view of his other business commitments. He briefly acted as temporary chairman before Mr Sykes was appointed and confirmed yesterday that he retains a "not very significant stake" in the group.

Reuters launches Irish news service

By Tim Coone in Dublin

Reuters yesterday launched its new Irish news service which will provide real-time coverage of the Irish financial markets, including equities, gilts, foreign exchange and debt.

It is the first such service available *outside the Irish Republic* and, according to Mr Ivan Mulcahy, the general manager of Reuters Ireland, "It will raise the profile of the Irish market, giving greater confidence to invest there. The Irish market has not been as transparent as it should be."

The service will be available free to existing UK equities service subscribers, and at I£125 (£123) per month to new and other subscribers wanting it as an add-on package.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
48	F.P.	-	56	55	Break for the Border	55		N-	-	-	8.7
25	F.P.	-	33	29	Bruntcliffe Aggregates	33		-	-	-	-
100	F.P.	-	100	95	China Inv. Tst.	95		-	-	-	-
-	F.P.	-	52	32	Do Warrants	51		-	-	-	-
40	F.P.	-	102	79	Division Group	96	+2	-	-	-	-
105	F.P.	-	155	136	Drew Scientific	138		N-	-	-	-
100	F.P.	-	107	100	Fleming Emerg Mkts	105½		-	-	-	-
-	F.P.	-	1	¾	‡Gaelic Res. Wrts.	1		-	-	-	-
-	F.P.	-	160	160	Irish Continental	160		Q5.44%	8.9	1.7	7.1
-	F.P.	-	48	21	Oriental Smltr Co's Wts	47		-	-	-	-
-	F.P.	-	37	31½	Pilkington Warrants	34½	+½	-	-	-	-
125	F.P.	-	159	153	RPC	159		L3.0	2.7	2.4	20.0
136	F.P.	-	165	145	Regent Inns	155	+1	b4.5	1.6	3.6	15.5
112	F.P.	-	128	112	Stagecoach	129	+1	R3.8	1.7	3.7	16.5

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
100	F.P.	-	108½	101	Central Independent 6½pc Cv 2008	108½	+1¼
100	F.P.	-	101⅞	101⅞	Forte 6¾pc Cv Bd 2008	101⅞	+½
100	F.P.	-	105¾	100⅝	Jackcape 6¾pc Cv 2008	104⅝	-⅛
100	F.P.	-	102	100⅝	Legal & General 6¾pc Cv 2008	102	-⅛
100	F.P.	-	102½	101	Northern Foods 6¾pc Cv Bd 2008	102½	+⅛
100	F.P.	-	104⅝	102½	P & O 7¼pc Cv Bd 2003	104⅝	
85½	F.P.	-	89½	85½	Throgmorton Trust 7½pc Cv 2003	89½	+1
100	F.P.	-	126½	122½	Tops Estates 7½pc Cv Uns Ln 2020	125	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
440	Nil	8/7	51pm	50pm	Avon Rubber	50pm	
185	Nil	14/6	68pm	53pm	BTP	61pm	+6
245	Nil	2/7	67pm	58pm	British Airways	66pm	+1½
420	Nil	2/7	80pm	64pm	Compass	74pm	+1
28	Nil	14/6	10½pm	6pm	Conrad Ritblat SG	6pm	-1
106	Nil	9/7	20pm	18pm	Countryside Prop.	20pm	+1
125	Nil	9/7	10pm	10pm	Davenport Vernon	10pm	
12	Nil	8/7	½pm	¼pm	EFG	½pm	
8	Nil	6/7	3½pm	¾pm	Graystone	1½pm	
14	Nil	7/7	4pm	2½pm	Jarvis	3pm	
255	Nil	7/7	38pm	26pm	Royal Insurance	26pm	-3
130	Nil	5/7	54pm	29pm	Saatchi & Saatchi	41pm	
171	Nil	30/6	13pm	10pm	United Drug	12pm	

b Figures based on prospectus estimates. N Figures based on BMR 'Headline Earnings' draft proposals. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. ※ Unlisted securities market. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings May 17
- Last Dealings May 28
- Last Declarations August 12
- For settlement August 23

3-month call rate indications are shown on page 11.

Calls in: Arcon Intl., Aveeco, Chloride, Cluff Res., Greenwich Res., Herstone, Mid-States, Millwall and Wood (SW). Puts: ASDA and Western Mining. Puts & Calls: Arcon Intl., Cannon St Invs. and Regalian.

TR Property to refocus on quoted stocks

By Vanessa Houlder, Property Correspondent

TR PROPERTY Investment Trust, which invests in commercial property and property shares, yesterday announced a fall in net asset value from 30.71p to 28.78p per share for the year to end-March.

The sharp fall took place in the first half of the year; in the second half they rose by 13.7 per cent from 25.3p.

The performance reflects the continued decline of property values, tempered by the sharp increase in property share prices since sterling left the exchange rate mechanism last September.

The trust is aiming to build up the proportion of quoted stocks in its portfolio and reduce its holdings of direct property.

Mr Peter Duffy, director and manager, said the trust would increase its holdings of medium-sized companies, which he expected to outperform the larger companies in the sector.

The trust's total revenue rose by 71 per cent to £8.48m (£4.96m), reflecting a reduction in the provisions against trading stock. Net revenue, after tax of £1.19m (£488,000) rose from £822,000 to £2.71m.

Earnings per share rose from 0.28p to 0.95p while a proposed final dividend of 0.5p (0.85p) leaves the total down from 1.45p to 0.9p for the full year.

Changes to FT-SE 100

AS A result of the prospective demerger of ICI and Zeneca, which will come into effect on June 1 1993, all constituents of the FT-SE 100 have been ranked by size.

As a result, both ICI and Zeneca will be included in the FT-SE 100 Index, while English China Clays, the smallest capitalised constituent at close of trading yesterday, has been removed.

English China Clays will become a constituent of the FT-SE Mid 250 Index. Owners Abroad, the smallest capitalised constituent at close of trading yesterday, has been removed from the FT-SE Mid 250 Index; it will become a constituent of the FT-SE SmallCap Index.

No companies will be removed from the FT-SE SmallCap.

● When the demerger of ICI and Zeneca comes into effect on June 1, ICI will remain a constituent of the Financial Times Ordinary Share Index (the "30 Share").

Gresham House talks continue

Gresham House, the investment trust, saw its group negative asset value increase from 18p to 105p per share over 1992.

However the net asset value per share for the core investment trust was static at 61p, against 62p.

The pre-tax loss for the year fell from £8.87m to £3.47m. The future of the company is still dependent on the ongoing refinancing talks, which have been continuing for two years.

Mr Alfred Stirling, chairman, said that he was still hopeful that the negotiations would be successful in the near future. He previously warned that failure could be fatal.

Subject to the success of the talks, agreement has been reached on the claims by EFT Finance, which have been subject to litigation, for an aggregate sum of £850,000.

Correction

Ford of Britain

Ford of Britain's UK vehicle assembly plants worked at 77 per cent of capacity in 1992, not at 62 per cent as the company incorrectly stated on Thursday.

NEWS DIGEST

Lasmo sells $350m of bonds

LASMO has sold two tranches of bonds in the US public bond market totalling $350m (£230m). The proceeds will be used to repay debt with maturities of less than three years.

The two sales were $150m of 30 year guaranteed notes with a coupon of 8.375 per cent, which can be called at Lasmo's option after 10 years, and $200m of 10 year guaranteed notes with a coupon of 7.125 per cent.

RPC shares up 34p on first trading day

The first day of trading of RPC, the rigid plastic packaging company, resulted in its shares rising by 34p to 159p. When the offer closed on Tuesday the issue has been subscribed more than 11 times.

On May 18 Cazenove placed 18.2m shares with institutions, representing 65 per cent of the issue.

MMI shares suspended at 25p

Shares in MMI, the local authority-owned insurer, were suspended at 25p yesterday evening. The company said it had reached "an advanced stage in discussions which are expected to lead to a substantial acquisition" and it would send details to shareholders as soon as possible.

In March MMI sold its local authority and some other insurance business to Zurich Insurance for about £70m.

Cheam shows 38% advance to £3.3m

Cheam Group, the south of England water supplier, turned in a 38 per cent pre-tax profits advance – from £2.4m to £3.3m – over the 12 months to end-March.

The outcome was achieved on turnover up by £1.77m to £13.7m.

An improved final dividend of 7p (4p) is recommended, raising the total for the year to 11p (7.5p). The dividend is more than three times covered by earnings per share of 37.2p (36.6p).

Mr Andrew Kennedy, chairman, the improvement had been achieved in the face of increasing industry regulation and in spite of a 1 per cent voluntary abatement of the increase in water supply charges permitted by the regulator.

East Surrey moves ahead to £5.7m

East Surrey Holdings, the water, property and building supplies group, lifted pre-tax profits from £5.54m to £5.7m in the year to March 31.

Mr John Fooks, the chairman, said that on the water side the company suffered a 7 per cent decline in metered consumption, mainly because of the recession. In its non-regulated activities performance had been below expectations because of the effects of a depressed economy.

Turnover amounted to £23.8m (£21.9m) with unmeasured water supplies at £16.6m (£15.9m), measured water supplies at £5.37m (£5.26m) and other activities at £1.9m (£685,000).

The pre-tax result was after net interest payable of £1.01m (£982,000).

Earnings were little changed at 38.8p (38.7p). A proposed final dividend of 7.36p (6p) lifts the total to 11.46p (9.56p).

Turnround for Kelsey Industries

In the half year to March 31 Kelsey Industries achieved a turnround from pre-tax losses of £119,000 to profits of £32,000. For its last full year to September 1992 losses were £307,000.

Turnover for the group, which makes solder and audio and video accessories and has interests in industrial roofing and insulation contracting, grew from £19.6m to £22.8m.

Most of the solder companies had performed better, Mr Philip Arbib, the chairman, said. Kelsey Roofing had a much improved order book and he expected its losses to be eradicated by the year end.

Losses per share amounted to 2.7p (5.6p) and the interim dividend is cut to 3p (8p).

TDS Circuits cuts losses to £0.78m

TDS Circuits, the USM-quoted maker of printed circuit boards, reduced its pre-tax losses for the year to February 28 from £921,000 to £779,000, after an exceptional £85,000 for further reorganisation costs.

Turnover improved slightly to £6.25m (£6.02m) "against a background of relentless price pressure in the PCB market." Export sales now represented more than half of this as a result of the continuing strategy to internationalise.

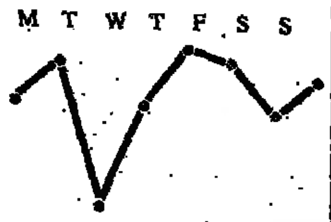
Losses per share fell to 11.99p (13.57p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Castings	fin	3.05	Aug 11	2.77	4.35	4.07
Cook (William)	fin	3.5	Oct 1	5	5	10
Cheam Group	fin	7	Aug 23	4	11	7.5
East Surrey	fin	7.36	July 16	6	11.46	9.56
Govett Endeavour	fin	5.52‡	July 29	5.52	11.04	12.51
Kelsey Inds	int	3	July 16	8	-	13
Scottish Inv Tst	int	1.7	July 19	1.6	-	4.82
TR Property	fin	0.5	July 30	0.85	0.9	1.45

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡US cents.

M T W T F S S



ECONOMIC DIARY

TODAY: Liberal Democrats spring conference in Nottingham (until Monday). Annual Haj (Moslem pilgrimage) is expected to begin.
MONDAY: Bank holiday.
TUESDAY: US NAPM (May); construction spending (April); personal income (April). Franco-German summit in Beaune, France. Mr Francois Mitterrand, French president, and Mr Edward Balladur, French prime minister, are expected to attend (until June 2). European Community social affairs ministers meet in Luxembourg. Mr Douglas Hurd, foreign secretary, visits Bucharest for talks on Yugoslavia (until June 3). Long-delayed ratification of START-1 and non-proliferation treaty in Kiev. National Association of Head Teachers' holds conference in Newcastle upon Tyne (until Friday). ICI shares to trade ex-demerger. Zeneca Group shares start trading. Japan lifts import ban on apples from New Zealand. Interims from Westland Group.
WEDNESDAY: UK official reserves (May). Advance energy statistics (February-April). Overseas travel and tourism (March). London sterling certificates of deposit (April). Monetary statistics (including bank and building society balance sheets; bank and building society sterling; lending and M4 sectoral analysis) (April). Bill turnover statistics (April). Sterling commercial paper (April). Money market statistics (April). Economic trends (May). US leading indicators (April). International Labour Organisation begins three-week annual conference in Geneva. Building Societies conference at the Metropole Hotel in Brighton (until Thursday). Ever Ready Derby at Epsom.
THURSDAY: High-level multi-party democracy talks are expected to be held in Johannesburg. Bundesbank central council meets in Frankfurt. Interim figures from MEPC and preliminary results from Boots.
FRIDAY: US unemployment (May); factory orders (April). Resumption of Sino-British talks on the financing arrangements of a new airport in Hong Kong.

LIFFE EQUITY OPTIONS

Option		CALLS			PUTS		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX (*2830)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

May 28 Total Contracts 12,218
Calls 7,412 Puts 4,806
FT-SE Index Calls 2,934 Puts 2,479
Euro FT-SE Calls 249 Puts 205
*Underlying security price. †Long dated expiry mths.
Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Cadburys	36	HSBC (75p shs)	39	Ratners	3	Brit Land	7
Allied-Lyons	50	Charter Cons.	52	Hanson	20	Reed Intl	52	Land Sec.	40
Amstrad	3½	Comm Union	52	ICI	75	Sears	9	MEPC	30
Astec (BSR)	3½	Courtaulds	48	Ladbroke	15	SmKl Bchm A	40	■ OILS	
BAT Inds	76	Eurotunnel	30	Legal & Gen	38	TI	26	Arcon Intl.	6
BOC	58	FKI	12	Lex Service	19	TSB	12	Aviva Pet	5
BTR	41	FNFC	7	Lloyds Bank	45	Tesco	20	BP	21
Barclays	30	Forte	14	Lonrho	7	Thorn EMI	70	Burmah Castrol	60
Blue Circle	22	GKN	40	Lucas Inds	13	Tomkins	22	Premier Cons	3
Boots	42	Gen Accident	31	Marks Spencer	25	T & N	15	Shell	38
Bowater	40	GEC	22	NatWest Bank	30	Unilever	72	■ MINES	
Brit Aerospace	24	Glaxo	55	P & O Dfd	40	Vickers	9	RTZ	52
British Steel	5	Grand Met	40	Racal Elect	12	Wellcome	75		
Brit Telecom	25	GRE	15	Rank Org	53	■ PROPERTY			

FT FIXED INTEREST INDICES

	May 28	May 27	May 26	May 25	May 24	Year ago	*High	*Low
Govt.Secs.(UK)	94.58	95.08	94.99	94.84	94.80	89.58	96.04	93.28
Fixed Interest	111.49	111.84	111.47	111.53	111.36	105.73	113.63	108.67

* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.63 (6/5/93), low 50.53 (3/1/75)
Basis 100 Government Securities 15/10/26. Fixed Interest 1928.

GILT EDGED ACTIVITY

	Gilt edged bargains*	5-Day Average
May 27	101.2	96.1
May 26	108.3	95.2
May 25	85.4	91.5
May 24	87.3	97.8
May 21	85.1	99.6

* SE activity indices rebased 1974

COMMODITIES

WEEK IN THE MARKETS

Platinum takes a cue from gold

SOME OF the froth from the gold rally has blown over into the platinum market this week.

Yesterday on the London bullion market platinum at one stage traded above $400 a troy ounce, before finishing at $396.75, up $6.50 on the day and $12 on the week and the highest level for more than two years.

This left platinum at a premium to gold of $17 a troy ounce, compared with only $9.60 at the end of last week.

"The widening of the platinum to gold spread to around $20 was confirmation that it was safe to keep buying gold at the current levels," said Mr Andy Smith, analyst with Union Bank of Switzerland. He added that the weakness of the US dollar against the yen had encouraged the market to believe that the Japanese would seize the opportunity to buy platinum.

The gold price has been led this week by New York's Comex, where fund and option activity has kept things on the boil. In London yesterday the price retreated from the day's high of $383.50 a troy ounce after US funds liquidated long positions ahead of the holiday weekend.

Gold closed at $379.75 a troy ounce, $3.05 up on the day and $4.60 on the week after a jittery few days.

Mr Smith pointed out that at current levels Hong Kong gold, normally at a premium of 50 cents to $1 to London, had moved to a discount, reflecting weaker demand in the Far East.

However, GNI, the London futures broker, says in its June futures and options briefing that a tight physical market has made gold ultra-sensitive to any pick-up in investment demand. In three of the past four years the mined supply of gold has fallen short of fabrication demand.

Western investors have piled into gold because they believe they have little to lose, GNI says. Gold's perceived floor at $330 a troy ounce provided limited risk on the downside, while low interest rates in nominal and real terms was minimising the income foregone from investing in precious metals.

On the London Metal Exchange copper has been volatile, but with good volume and good two-way interest driving the moves. On Monday three-month metal bounced off $1,830 a tonne, leading to an attempt on Tuesday on resistance at $1,850. But profit taking took prices back down on Wednesday, and on Thursday the price was back below $1,800.

Mr William Adams, analyst with Rudolf Wolff, said copper was trading in a broad range between a recent low of $1,705 on May 7, and $1,885 on May 13. It needed to remain above $1,760 for a further attempt on the upside.

The continuing increase in LME warehouse stocks is keeping the market under pressure. Copper stocks rose by 725 tonnes on Monday and a further 6,000 tonnes on Thursday and now stand at a record 420,400 tonnes.

Yesterday three-month copper closed at $1,795 a tonne. Cash copper – still traded in sterling on the LME – closed at £1,146.50 a tonne, down £37.50 on the week.

The pressure on copper has spilled over to most of the other base metals, although lead and aluminium have been steadier.

Lead, which was at a 6½-year low last week, was boosted on Monday by news that Metaleurop was stopping production at smelters in France and Germany between June 15 and August 15, cutting refined output by 50,000 tonnes. Prices moved sharply ahead, but have since drifted lower. Cash lead closed at £258.50 a tonne yesterday, up £2.75 in the week.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+3,225	to 1,[illegible]
Copper	+6,000	to 420,400
Lead	+3,825	to 257,875
Nickel	-300	to 95,260
Zinc	+425	to 590,175
Tin	-35	to 20,295

The aluminium market is keeping a close eye on negotiations at Reynolds and Alcoa, where labour contracts expire at the end of the month and the unions have a mandate for strike action. Cash aluminium closed yesterday at $1,128 a tonne, just $8 up on the week.

Tin prices, already on a downward path, were not helped by Malaysian suggestions that the quota system of the Association of Tin Producing Countries was not worth maintaining. Mr Lim Keng Yaik, Malaysia's primary industries minister, said on Thursday that prices could not be any worse than present levels even if the quota system was abandoned. Cash tin closed at $5,303.50 a tonne yesterday, down $146.50 on the week.

The failure of the International Coffee Organisation in March to renegotiate an agreement has kept world prices near historic lows. This week producing countries started to take matters into their own hands.

Late on Monday Brazil and Colombia, the two largest producers, agreed to freeze stocks and limit exports respectively to 17m bags and 13m bags (60 kgs each). At the same time Central American producers – Costa Rica, Nicaragua, El Salvador and Guatemala – agreed to withhold 15 per cent of their production for 1993-94.

Together these countries account for about 60 per cent of world coffee production. They look set to form a Latin American alliance which other countries could join. Ecuador has already shown interest, and the Inter-African Coffee Organisation has expressed strong support.

However, the markets appear more concerned with the high level of consumer stocks, which some estimates put as high as 20m bags. The London July robusta coffee contract closed yesterday at $920 a tonne, down $27 on the week.

David Blackwell

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Fri May 28	Day's change %	Thu May 27	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (23)	127.88	-0.10	128.01	2.39	4.00
2	5-15 years (22)	146.14	-0.45	146.80	2.61	5.22
3	Over 15 years (10)	156.32	-0.66	157.37	2.83	3.48
4	Irredeemables (6)	174.67	-0.41	175.39	1.32	6.12
5	All stocks (64)	142.88	-0.37	143.42	2.38	4.60
	Index-Linked					
6	Up to 5 years (2)	184.13	+0.07	184.00	0.80	1.92
7	Over 5 years (11)	173.98	-0.14	174.21	1.19	1.72
8	All stocks (13)	174.22	-0.12	174.42	1.14	1.76
9	Debs & Loans (68)	127.18	-0.45	127.77	2.05	4.79

	AVERAGE GROSS REDEMPTION YIELDS		Fri May 28	Thu May 27	Year ago (approx.)	1993 High		1993 Low	
	British Government								
1	Low	5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	Coupons	15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	(3%-7¾%)	20 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Medium	5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	Coupons	15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6	(8%-10¾%)	20 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7	High	5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	Coupons	15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9	(11%-)	20 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	Irredeemables(Flat Yield)		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Index-Linked								
11	Inflation rate 5%	Up to 5yrs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12	Inflation rate 5%	Over 5 yrs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
13	Inflation rate 10%	Up to 5 yrs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
14	Inflation rate 10%	Over 5 yrs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15	Debs &	5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16	Loans	15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
17		25 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INTERNATIONAL COMPANIES AND FINANCE

Power Corporation takes holding in Time Warner

By Bernard Simon in Toronto and Robert Gibbens in Montreal

CANADA'S Power Corporation has bought a small stake in Time Warner, the US entertainment group, reinforcing signals that the company is seeking a role in international communications.

Power's purchase of a 1 per cent stake in Time Warner, for US$99m, was disclosed in documents filed with the US Securities and Exchange Commission by Seagram, the drinks group which revealed this week it had built up a 5.7 per cent interest in Time Warner.

The Seagram and Power investments are bound to heighten the speculation which has swirled around Time Warner since the death of its chairman, Mr Steven Ross, in December.

Seagram insisted yesterday the purchases by the two Montreal-based companies took place independently, and were "not part of any co-ordinated strategy". A Power official declined to comment.

Seagram has indicated it plans to lift its investment in Time Warner to 15 per cent to fulfil a long search for a "third leg" to complement its drinks business and its 24 per cent stake in El Du Pont, the US chemicals group.

Seagram and Power have a number of links with each other. Mr Paul Desmarais, Power's chairman and controlling shareholder, sits on the Seagram board, while Mr Charles Bronfman, whose family controls Seagram, is a Power director.

Mr Desmarais, together with unidentified European investors, last year sought to interest Seagram in a joint investment in Time Warner's entertainment division. Power, which has access to cash resources of about C$2.5bn (US$1.98m) is also thought to have considered a much bigger investment in the Time Warner parent last autumn.

A Seagram official, however, said these discussions were "very brief and fleeting". He said Mr Desmarais absented himself from deliberations by Seagram's board on the Time Warner investment.

Power already owns a number of Canadian newspapers and radio and TV stations. Through its affiliate, Pargesa, the Geneva-based merchant bank, it also jointly controls Radio-Television Luxembourg.

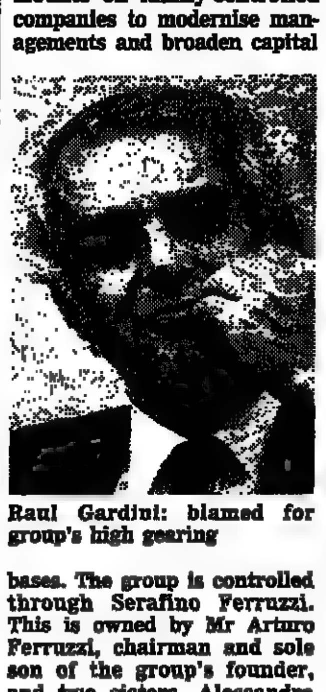
Two months ago, Power paid C$180m for an 18.7 per cent stake in Southam, Canada's biggest newspaper publisher. Power also has substantial interests in financial services in north America and Europe.

Ferruzzis to loosen grip on family company

By Robert Graham in Rome

FERRUZZI, Italy's second largest industrial grouping, yesterday decided to seek outside shareholders to offset mounting losses, reduce borrowings and concentrate on a core of agro-business.

The move, aimed at ending the Ferruzzi family's tight hold on the group, marks an important milestone in Italian corporate history as pressure mounts on family-controlled companies to modernise managements and broaden capital bases. The group is controlled through Serafino Ferruzzi. This is owned by Mr Arturo Ferruzzi, chairman and sole son of the group's founder, and two sisters, Alessandra and Franca.



Raul Gardini: blamed for group's high gearing

A third sister, Idina, ceased to be a shareholder in July, 1991, following the highly-publicised departure of her husband, Mr Raul Gardini, from the group's helm.

Ferruzzi's aggressive expansion in the 1980s was largely due to Mr Gardini. He is now blamed for the high gearing behind much of the group's problems.

Yesterday it was announced that new shareholders, local and foreign, would be sought in Serafino. Through Serafino, Ferruzzi has a 45 per cent stake in the stock market-listed Ferfin and, consequently, in Montedison, the group's main industrial base.

Montedison is itself heavily in the red. It reported yesterday a 1992 loss of L1,244bn ($841.67m) against a profit of L168bn in 1991. Gross turnover last year was 8 per cent higher at L16,968bn.

The group has just sold its pharmaceutical interests, and is now awaiting the outcome of a deal with Shell to reorganise and reduce its plastics business.

Nissan slips into red for first time

By Michiyo Nakamoto in Tokyo

JAPAN'S biggest car manufacturers came under severe pressure last year as domestic demand remained weak and overseas earnings were hit by the strong yen.

Nissan, Japan's second largest carmaker, reported parent pre-tax losses of Y26.3bn ($239.1m) for the year ended March, compared with profits of Y87.8bn previously.

The company recorded its first ever net loss, at Y15.1bn, compared with a profit of Y54.2bn. Non-consolidated sales fell 8.7 per cent to Y3,896bn. The dividend is being halved to Y7 a share.

Nissan blamed difficult trading on the steep decline in domestic demand for vehicles and the sharp appreciation of the yen.

Last year domestic sales fell 17 per cent in unit terms and 18 per cent in value. Export sales, on the other hand, were up 4.2 per cent, largely as a result of an increase in sales of parts and components for overseas production.

On a consolidated basis, sales were down 3.4 per cent to Y6,198bn, leading to pre-tax losses of Y106bn and net losses of Y56bn. There was a Y45bn write-off in Australia.

In the current year, Nissan is projecting domestic vehicle sales of 1.2m units and overseas sales of 76,000 units.

As a result, sales are expected to rise to Y4,000bn this year. Nissan is looking to break even both at the pre-tax and net-profits level.

Pre-tax losses of Y40bn in the first half are expected to be reversed in the second half as a result of an improved trading climate and Y150bn in additional revenues stemming from higher prices and streamlining.

The outlook from Mazda, Japan's fifth largest carmaker, is less optimistic. Mazda yesterday warned it would not be profitable this year following a steep fall in profits in 1992.

The company saw a 5 per cent decline in non-consolidated sales to Y2,191bn, while pre-tax profits plunged 68 per cent to Y6.2bn. Net profits were 71 per cent down to Y2.6bn.

Mazda, which is 24.5 per cent owned by Ford of the US, said it was also under pressure from high depreciation costs.

Total factory unit sales declined 11 per cent for passenger cars and 22 per cent for commercial vehicles.

The biggest setback came in the domestic market where unit sales were 16 per cent down, compared with a 7 per cent decline in overseas markets.

Mazda's performance was disappointing even given the overall weakness of the Japanese car market last year, which declined 7.4 per cent in unit terms, according to the Japan Automobile Manufacturers Association.

Mitsubishi Motors reported a 8 per cent decline in pre-tax profits, to Y46.6bn, in spite of a 2.4 per cent increase in sales to Y2,615.9bn.

While Mitsubishi saw a 67 per cent increase in sales of passenger cars, it suffered a 20 per cent fall in sales of minicars and double-digit declines in sales of trucks.

The company forecasts a 1 per cent increase in volumes this year, a slight increase in sales to Y2,630bn, and an increase to Y48.5bn in pre-tax profits.

NEC battered by downturn in PC sales

By Michiyo Nakamoto

NEC, the Japanese electronics group battered by the sharp fall in corporate and consumer demand in Japan, reports its first group loss in nearly two decades.

The downturn in the domestic computer market, stagnant sales of semiconductors, high depreciation costs, and severe difficulties in its home electronics business resulted in a Y37.7bn ($342.72m) consolidated loss for NEC.

The loss came as sales fell 7 per cent to Y3,514bn. At the net after-tax level, NEC consolidated losses totalled Y45.1bn.

Parent company results were better, largely because the results of its troubled home electronics business are excluded. A substantial proportion of semiconductor business is also excluded.

Pre-tax profits for the parent company were down 77.3 per cent to Y18.1bn, on sales that declined 6 per cent to Y2,869bn.

NEC, which is the largest manufacturer of personal computers (PCs) in Japan, came under severe pressure last year as corporate investment in the country was stagnant and computer sales suffered under fierce competition from foreign companies.

NEC was hit by a sharp fall in PC demand late in the year, following the introduction of lower-priced US PCs into Japan. PCs account for nearly 30 per cent of NEC's computer sales: their sales fell about 7 per cent.

Electronic devices, such as semiconductors, were also down about 7 per cent, while telecommunications sales dropped 5 per cent.

However, the company expects PC sales volumes to rise 10 per cent this year, to 1.4m units. At the same time, the Japanese semiconductor market is forecast to rise 3 per cent, compared with a 10 per cent fall last year.

The company has taken cost-cutting measures, including a reduction in capital investment from Y190bn in fiscal 1992 to Y140bn this year. It expects results to recover substantially in 1993-94.

Forecasts are for a 6 per cent rise in parent sales, to Y3,030bn, with pre-tax profits emerging at Y50bn. Consolidated sales of Y3,700bn are expected with net profits of Y10bn.

At Mitsubishi Electric, the decline in the semiconductor market and weak demand for consumer electronic products is blamed for a 5 per cent fall in parent sales, to Y2,494bn. Pre-tax profits were 47 per cent down to Y32.3bn.

Mitsubishi expects non-consolidated sales in the current year to improve to Y2,510bn, and pre-tax profits to increase to Y35bn.

Jardine strengthens defences

By Simon Holberton in Hong Kong

JARDINE Matheson's quest to insulate itself from possible interference by China after Hong Kong reverts to the mainland in 1997 took a bizarre turn yesterday. The company said the government of Bermuda had agreed to pass a law which would bring it under a statutory version of the London Takeover Code.

Jardine, a Hong Kong-based trading group controlled by the Keswick family, moved its domicile to Bermuda in 1984 and has been given a legal status there by acts of the colony's legislature. The proposed changes would mean that Jardine is subject to the same regulatory framework as a company incorporated in the UK.

The company has long feared that after 1997 it could have its property confiscated by administrative means, as happened in Shanghai after the communist takeover of China in 1949.

It has recently been subject to attacks by the Chinese government for its alleged interference in Hong Kong politics. Nearly two years ago it unsuccessfully sought to avoid Hong Kong's takeover code by moving its primary stock exchange listing to London.

Mr Greg Terry, an executive director, said yesterday's announcement had nothing to do with China's attacks on the company, but represented a further step in a process that had been under way for some time. The company would be subject to a more stringent regime of regulation, he said.

It is understood that Jardine informed representatives of the Chinese government of the planned changes this week.

In Bermuda, the statutory version of the Takeover Code, which comes into force in July next year, will apply only to Jardine and its subsidiaries. It will be administered by Bermuda's Monetary Authority, which will convene a panel in the event Jardine is subject to a takeover bid or makes one itself.

Jardine said it continued to be bound by Hong Kong's takeover code, but that it intended to discuss the implications of the change in Bermudan law with regulatory authorities in Hong Kong.

The Securities and Futures Commission, Hong Kong's corporate watchdog, said: "If Jardine were to seek exemption from our code, our overriding consideration would be the protection of investors and Hong Kong's credibility as an international financial centre."

Standa net ahead 23% for year

By Haig Simonian in Milan

STANDA, the big Italian retailing chain controlled by Mr Silvio Berlusconi's Fininvest concern, raised net group profits by 22.9 per cent, to L38.1bn ($25.77m), last year. The improvement came on the back of a 9.2 per cent rise in sales to L4,398bn.

The increase in revenues matches that at Rinascente, Italy's biggest retailer, controlled by Fiat. It corroborates analysts' forecasts that the two big retailers have been gaining ground in the recession at the expense of small family outlets. Moreover, Standa's increase is based on a broadly-unchanged number of outlets.

The improvement has continued into this year, with a 9.5 per cent rise in group sales in the first quarter, it said. In January, Standa bought 60 per cent of the regional Essebi supermarkets chain for L220bn, payable over three years.

Consolidating Essebi, in which Standa has an option to buy the remaining 40 per cent for L75bn this year, will push up group turnover to about L5,000bn this year – within sight of Rinascente's market leadership.

The company is paying an unchanged dividend of L300 a share on ordinary shares and L330 on savings stock.

The earnings recovery follows aggressive marketing and continuing restructuring to lower costs. At operating level, profits soared to L68.2bn from L27.6bn.

The earnings rise after tax was depressed by higher taxation and extraordinary items, including about L15bn in restructuring costs.

Paribas confident of continued recovery

By Alice Rawsthorn in Paris

PARIBAS, the big French investment banking group which clawed its way back to a profit last year, expects to continue to recover in 1993.

Mr André Lévy-Lang, chairman, told a shareholders' meeting the group should "continue its progress" this year. He also identified the first signs of recovery in the property sector, noting a slight improvement in the housing market, although commercial property remained depressed.

The precarious state of the property sector forced Paribas, and other French banks, to make big provisions last year. Mr Lévy-Lang said providing there was no further deterioration, the group's property writedowns would probably be lower in 1993 than in 1992. It made total provisions of FFr7.8bn ($1.42bn) last year.

Banque Paribas, the investment bank, had performed "satisfactorily" so far this year, Mr Lévy-Lang said. The steady reduction in French interest rates had alleviated the pressure on its trading activities.

By contrast, Compagnie Bancaire, the specialist financing business, had been "heavily affected by the crisis in the property market and small business sector", he said. Its savings activities fared well, although demand for credit had been "mediocre".

Crédit du Nord, the retail banking network, was affected by the sluggish economic environment.

Outokumpu plans FM527m rights issue

By Christopher Brown-Humes in Stockholm

OUTOKUMPU, the Finnish mining and metals group, yesterday announced plans to raise FM527m ($92m) through a one-for-five rights issue at FM33 a share.

The proceeds will be used to strengthen the company's balance sheet and help fund a FM1.6bn scheme to expand copper and nickel production at the group's Harjavalta plant over the next three years.

The Finnish state, which is the group's main shareholder with a 57.5 per cent direct stake, has already agreed to support the issue.

● Skopbank, the third largest Finnish commercial bank, cut its losses sharply in the first four months, but warned of worse figures later in the year. It said it would need further state support.

The bank's operating loss for the January-April period fell to FM501m from FM1.38bn, as credit losses halved to FM825m from FM1.01bn.

However, the bank predicted that operating losses for the full year would amount to FM2.1bn as credit losses reached FM1.6bn. It said it would need a further FM700-800m from the state this year, in addition to a FM700m injection announced last week, to help it keep its capital adequacy ratio above 8 per cent.

At the end of April, the bank's capital adequacy stood at 8.6 per cent, compared to 8.2 per cent at the end of 1992, when it made a FM3.46bn operating loss.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1993	Low 1993
Gold per troy oz.	$379.75	+4.6	$337.70	$379.75	$326.05
Silver Per troy oz	298.50p	+3	225.34p	299.00p	236.00p
Aluminium 99.7% (cash)	$1128.0	+8.0	$1320.50	$1236.5	$1108
Copper Grade A (cash)	£1146.5	-37.5	£1231.25	£1563.5	£1108.5
Lead(cash)	£258.5	+2.75	£261.50	£309	£255.75
Nickel (cash)	$5650	-12.5	$7337.50	$6340	$5630.0
Zinc SHG (cash)	$947.5	-5.5	$1370.00	$1112	$947.0
Tin (cash)	$5303.5	-146.5	$6190.00	$6047.5	$5303.5
Cocoa Futures (Jul)	£663	-1	£555.00	£751	£663
Coffee Futures (Jul)	$920	-27	$731	$985	$836
Sugar (LDP Raw)	$271.50	-20.50	$237.4	$317.4	$204.5
Barley Futures (Sep)	£105.80	-0.3	£107.30	£110.30	£105.80
Wheat Futures (Jun)	£140.00	+1.4	£123.90	£149.45	£138.65
Cotton Outlook A Index	59.50c	-0.35	60.40c	62.35c	54.75c
Wool (64s Super)	375	+8	424p	403p	340p
Oil (Brent Blend)	$18.685x	+0.265	$19.575	$19.53	$16.65

Per tonne unless otherwise stated. p-pence/kg. c-cents lb. x-Jul.

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Jul)		+ or -
Dubai	$16.20-6.26z	-.035
Brent Blend (dated)	$18.42-8.45	+.040
Brent Blend (Jul)	$18.67-8.70	+0.01
W.T.I (1 pm est)	$20.10-0.14z	+.005
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$208-211	
Gas Oil	$173-174	+1.5
Heavy Fuel Oil	$66-67	-1.5
Naphtha	$183-186	-0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$379.75	+3.05
Silver (per troy oz)♣	468c	+6
Platinum (per troy oz)	$396.75	+5.5
Palladium (per troy oz)	$122.50	+2
Copper (US Producer)	87.0c	-1
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	13.70r	
Tin (New York)	248c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	143.53	+2.26*
Sheep (live weight)†♦	129.62	-11.8*
Pigs (live weight)†	89.75p	+0.13*
London daily sugar (raw)	$271.5	-12.1
London daily sugar (white)	$272.5	-9.0
Tate and Lyle export price	£265.5	-8.5
Barley (English feed)	£110.5	
Maize (US No. 3 yellow)	£166.5	
Wheat (US Dark Northern)	Unq	
Rubber (Jun)♥	59.25p	+0.25
Rubber (Jul)♥	59.50p	+0.25
Rubber (KL RSS No 1 May)	209.5m	
Coconut oil (Philippines)§	$442.5y	+7.5
Palm Oil (Malaysian)§	$375u	+5
Copra (Philippines)§	$276u	+11
Soyabeans (US)	£176.5z	-0.5
Cotton "A" Index	59.50c	-0.35
Wooltops (64s Super)	375p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Aug/Sep u-Jun.z-July.. v-Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♦Sheep prices are now live weight prices * change from a week ago. provisional prices.

SUGAR – London FOX ($ per tonne) White	Close	Previous	High/Low
Aug	283.80	275.00	282.00 275.50
Oct	282.00	279.00	278.50 275.50
Dec	284.70	283.00	282.50 279.20
Mar	286.30	289.00	286.00 281.40
May	290.00		286.00 285.50
Aug	296.00		294.00
Oct	292.00		288.00

White 1753 (1307) Paris- White (FFr per tonne): Aug 1499.06 Oct 1505.54

CRUDE OIL – IPE ($/barrel)	Latest	Previous	High/Low
Jul	18.69	18.59	18.73 18.60
Aug	18.79	18.73	18.81 18.73
Sep	18.89	18.84	18.90 18.85
Oct	18.96	18.96	18.98 18.91
Nov	19.00	19.00	19.01 19.00
Dec	19.05	19.05	19.06 19.04
Jan	19.08	19.05	19.08 19.02
Feb	19.05	19.02	19.05
IPE Index	18.56	18.41	18.56

Turnover 24175 (27754)

GAS OIL – IPE ($/tonne)	Latest	Previous	High/Low
Jun	171.50	170.50	172.50 170.25
Jul	173.00	171.25	173.25 171.25
Aug	175.00	173.00	175.00 173.00
Sep	178.75	175.25	178.75 175.00
Oct	179.50	176.50	179.50 176.50
Nov	182.00	180.75	182.00 181.00
Dec	184.25	182.75	184.25 182.50
Jan	184.75	183.25	184.75 184.25

Turnover 10232 (13631) lots of 100 tonnes

SPICES

Indonesian white pepper muntok spot unchanged, nearby and later shipments steady. Spot usd 1675, May/June 1600, July/Aug 1625 all cif ebp. Black pepper market steady due to lack of offers from Malaysia and vanishing selling pressure by Vietnam. Cloves unchanged. Madagascar spot at 850 and shipment 750. Brazil at usd 800 fob Brasil. Pimento quiet/unchanged. rae spot 1775. Indonesian cassia unchanged. cut in pieces usd 3150 for shipment. Madagascan cinnamom ffr 8.20 spot and shipment ffr 5.65 cif. Seychelles spot usd 1375 and shipment usd 1275 cif. Indonesian nutmegs/mace unchanged.

COCOA – London FOX (£/tonne)	Close	Previous	High/Low
May	663	636	644 640
Jul	663	663	665 660
Sep	679	678	681 676
Dec	701	698	702 696
Mar	721	718	722 718
May	734	733	734 733
Sep	762	763	765 762
Dec	782	785	782
Mar	806	810	807 806

Turnover: 2824 (2043) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 27 692.56 (694.27) 10 day average for May 28 697.33 (696.60)

COFFEE – London FOX ($/tonne)	Close	Previous	High/Low
May	920	912	910 895
Jul	920	923	927 911
Sep	929	927	936 916
Nov	933	935	934 925
Jan	936	941	946 939

Turnover: 1479 (3243) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 26 Comp. daily 55.81 (56.64) 15 day average 54.39 (54.17)

POTATOES – London FOX (£/tonne)	Close	Previous	High/Low
Apr	99.2	100.3	99.5 99.0
May	106.6	109.0	107.0 106.0

Turnover 19 (92) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)	Close	Previous	High/Low
Aug	141.80	-	142.00
Oct	145.30	-	146.30

Turnover 20 (0) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)	Close	Previous	High/Low
Jun	1455	1448	1470 1450
Jul	1340	1330	1340 1330
Oct	1408	1385	1408 1395
Jan	1438	1435	1438 1430
BFI	1623	1628	

Turnover 137 (299)

GRAINS – London FOX (£/tonne) Wheat	Close	Previous	High/Low
Jun	140.10	140.15	140.40 139.75
Nov	109.05	108.60	109.15 108.90
Jan	111.80	111.60	111.80 111.75
Mar	114.35	114.00	114.35
May	116.45	116.00	116.45 116.20
Barley	Close	Previous	High/Low
Sep	105.85	105.95	106.05

Turnover: Wheat 159 (154), Barley 5 (53).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg	Close	Previous	High/Low
Jun	112.8	111.5	112.8 112.0
Jul	105.8	104.8	105.8 105.0
Aug	101.3	100.5	101.3 101.0

Turnover:21 (8) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 30,360 lots	
Cash	1127.5-8.5	1121.5-2.5		1120.5-1.0		
3 months	1150-0.5	1145.5-6.0	1152/1142	1143.0-3.5	1147-8	186,429 lots
Copper, Grade A (£ per tonne)					Total daily turnover 47,946 lots	
Cash	1146-7	1157-8	1143/1141	1141-2		
3 months	1160-1	1170.5-1.0	1158/1156	1157-8	1158-7	213,304 lots
Lead (£ per tonne)					Total daily turnover 5,364 lots	
Cash	258-9	262.5-3.5		259-9.5		
3 months	267.5-8.0	272-2.5	274.25/67.5	268.5-8.0	268-8.5	20,503 lots
Nickel ($ per tonne)					Total daily turnover 4,664 lots	
Cash	5645-55	5630-40		5630-5		
3 months	5715-20	5700-5	5730/5640	5690-5	5720-5	46,850 lots
Tin ($ per tonne)					Total daily turnover 2,946 lots	
Cash	5302-5	5355-60		5337-45		
3 months	5360-5	5415-20	5400/5360	5395-400	5365-70	9,469 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 18,118 lots	
Cash	947-8	948-9	947/947	948-7		
3 months	966-7	966-7	970/963	966-7	967-8	57,467 lots

LME Closing £/$ rate: SPOT: 1.5610 3 months: 1.5514 6 months: 1.5482 9 months: 1.5381

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	379.50-380.00	
Opening	381.25-381.75	
Morning fix	381.00	244.544
Afternoon fix	377.45	241.545
Day's high	382.00-382.50	
Day's low	377.00-377.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.48	6 months	2.49
2 months	2.48	12 months	2.46
3 months	2.48		

Silver fix	p/troy oz	US cts equiv
Spot	302.05	471.35
3 months	306.15	474.85
6 months	310.40	478.55
12 months	319.55	486.10

GOLD COINS	$ price	£ equivalent
Krugerrand	381.00-384.00	245.00-247
Maple leaf	389.80-392.80	-
New Sovereign	90.0-93.00	57-60

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1125	31	51	14	21
1150	18	37	26	31
1175	10	28	42	45
Copper (Grade A)	Calls		Puts	
1800	53	82	51	74
1850	33	60	80	101
1900	19	43	116	133
Coffee	Jul	Sep	Jul	Sep
900	36	67	16	38
950	14	43	44	64
1000	4	27	84	98
Cocoa	Jul	Sep	Jul	Sep
700	4	23	41	44
725	1	15	63	61
750		10	87	81
Brent Crude	Jul	Aug	Jul	Aug
1750	-	-	5	10
1800	-	-	-	17
1850	25	48	21	40

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Jun	378.3	381.4	384.5	378.0
Jul	379.3	382.4	0	0
Aug	380.3	383.4	386.5	377.5
Oct	382.1	385.2	388.0	380.5
Dec	383.9	387.0	390.0	381.5
Feb	385.4	388.6	388.5	385.0
Apr	387.0	390.3	390.0	387.5
Jun	388.7	392.0	392.0	391.0
Aug	390.5	393.8	390.5	390.3

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Jul	399.8	399.2	405.0	396.1
Oct	398.2	397.6	404.0	395.0
Jan	397.4	396.8	403.0	395.0
Apr	397.2	396.6	400.0	[illegible]

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Jun	461.1	468.9	463.0	463.0
Jul	462.2	470.0	472.0	460.0
Aug	463.8	471.6	0	0
Sep	465.4	473.2	475.0	463.0
Dec	470.2	478.1	480.0	468.5
Jan	470.8	478.7	0	0
Mar	475.1	482.9	487.0	475.0
May	478.8	486.6	0	0
Jul	482.0	489.8	492.0	482.0
Sep	485.9	493.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Jun	79.55	79.15	79.75	79.15
Jul	79.85	79.65	80.50	79.45
Aug	80.10	79.85	80.00	80.00
Sep	80.35	80.15	81.00	80.10
Oct	80.55	80.35	80.75	80.75
Nov	80.80	80.60	81.20	81.20
Dec	81.05	80.90	81.55	80.90
Jan	81.20	81.05	0	0
Feb	81.40	81.30	0	0
Mar	81.65	81.60	82.10	82.00

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Jul	20.11	20.08	20.18	20.04
Aug	20.27	20.24	20.31	20.21
Sep	20.39	20.35	20.39	20.32
Oct	20.43	20.40	20.43	20.37
Nov	20.40	20.42	20.40	20.40
Dec	20.46	20.44	20.48	20.42
Jan	20.42	20.43	20.42	20.42
Feb	20.45	20.42	20.45	20.43
Mar	20.42	20.41	20.43	20.41
Apr	20.42	20.40	20.42	20.42

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Jun	54.90	54.56	55.05	54.50
Jul	55.15	55.02	55.40	55.05
Aug	55.90	55.71	56.10	55.75
Sep	56.90	56.74	57.10	56.80
Oct	58.00	57.71	58.05	57.78
Nov	59.00	58.66	59.00	58.75
Dec	59.80	59.56	59.90	59.70
Jan	60.25	60.04	60.30	60.10
Feb	60.00	59.77	60.00	60.00
Mar	58.85	58.59	59.00	58.60

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Jul	894	890	897	889
Sep	928	922	928	922
Dec	970	963	970	962
Mar	1004	997	1002	996
May	1028	1021	0	0
Jul	1048	1041	0	0
Sep	1071	1064	1066	-1066
Dec	1103	1096	0	0
Mar	1137	1130	0	0

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
May	62.50	59.65	61.40	60.50
Jul	63.55	62.85	64.00	62.20
Sep	65.35	64.65	65.70	64.00
Dec	68.00	67.25	68.30	66.70
Mar	70.20	69.50	70.00	69.50
May	71.75	71.35	0	0
Jul	72.95	72.55	73.00	73.00
Sep	74.45	74.20	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Jul	10.76	10.57	10.85	10.60
Oct	11.02	10.76	11.11	10.85
Mar	10.79	10.61	10.92	10.64
May	10.69	10.55	10.82	10.60
Jul	10.63	10.53	10.77	10.46
Oct	10.57	10.47	0	0

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
Jul	60.36	60.60	60.75	60.30
Oct	59.00	59.12	59.30	59.00
Dec	58.34	58.53	58.75	58.30
Mar	59.37	59.58	59.80	59.35
May	60.02	60.20	60.25	60.25
Jul	60.55	60.58	0	0
Oct	60.13	59.80	60.00	60.00

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Jul	116.60	114.05	116.20	113.10
Sep	118.70	116.95	118.20	116.20
Nov	120.75	118.60	121.00	118.00
Jan	122.00	120.75	122.50	120.00
Mar	123.50	121.70	123.25	121.50
May	123.50	121.50	123.40	122.50
Jul	123.60	121.50	123.00	123.00
Sep	123.30	121.50	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
May 28	May 27	mnth ago	yr ago
1657.1	1674.8	1671.9	1595.5

DOW JONES (Base: Dec. 31 1974 = 100)	May 27	May 26	mnth ago	yr ago
Spot	121.04	121.46	121.69	117.15
Futures	121.86	121.72	124.13	117.43

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Jul	608/4	609/0	610/4	607/4
Aug	607/2	608/0	609/4	606/4
Sep	604/6	605/6	609/0	604/4
Nov	606/4	608/4	609/6	606/0
Jan	612/0	612/2	615/4	610/6
Mar	617/4	617/6	621/2	616/6
May	620/0	619/4	623/2	618/0
Jul	621/6	620/0	623/6	618/4

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Jul	21.38	21.51	21.55	21.37
Aug	21.62	21.64	21.68	21.52
Sep	21.68	21.75	21.79	21.65
Oct	21.78	21.88	21.90	21.76
Dec	21.96	22.12	22.15	21.97
Jan	22.08	22.21	22.25	22.08
Mar	22.30	22.40	22.40	22.30
May	22.50	22.57	22.55	22.45

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Jul	191.3	190.0	192.1	191.2
Aug	191.1	191.5	191.5	190.7
Sep	191.0	191.2	191.4	190.6
Oct	190.7	190.7	191.4	190.4
Dec	191.2	191.4	192.3	191.0
Jan	191.7	191.5	192.3	191.0
Mar	191.9	191.5	192.7	191.7
May	192.7	192.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Jul	224/4	224/4	224/6	223/4
Sep	229/2	229/2	229/6	228/4
Dec	236/0	235/6	236/4	235/0
Mar	243/2	243/2	243/6	242/4
May	248/2	248/0	248/2	246/6
Jul	251/4	251/2	251/4	250/6
Sep	246/2	246/0	0	0
Dec	246/2	246/0	246/4	245/4

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Jul	288/2	289/4	289/4	287/0
Sep	291/2	291/4	292/0	290/4
Dec	302/4	302/4	303/4	301/2
Mar	309/0	308/6	309/4	308/0
May	308/4	309/0	309/4	308/0
Jul	308/4	308/0	309/0	307/0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Jun	75.325	75.250	75.425	75.175
Aug	73.375	73.400	73.475	73.200
Oct	74.025	74.000	74.075	73.750
Dec	74.075	74.000	74.200	74.000
Feb	73.650	73.625	73.875	73.650
Apr	74.850	74.750	74.900	74.750
Jun	72.000	72.000	72.250	71.900

LIVE HOGS 40,000 lb; cents/lbs	Close	Previous	High/Low	
Jun	51.375	51.900	51.850	51.200
Jul	49.650	50.650	50.050	49.500
Aug	47.475	48.350	48.250	47.350
Oct	42.650	43.050	43.050	42.500
Dec	43.675	44.050	44.050	43.600
Feb	43.975	44.600	44.300	43.900
Apr	43.000	43.350	43.100	42.950
Jun	48.250	48.500	48.250	48.250

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
Jul	39.400	40.450	40.500	39.250
Aug	38.150	38.750	39.000	38.000
Feb	41.025	40.900	41.350	40.900
Mar	40.025	40.025	40.450	0
May	41.000	41.000	0	0

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Changing views on the dollar

THE DOLLAR weakened sharply against the D-Mark yesterday, falling through the DM1.59 level, after a huge downward revision of first quarter US growth raised serious concerns about the scale of the economic recovery in the US, *writes James Blitz.*

A downward revision of the GDP figures for the first three months of 1993 had been expected after a spate of poor indicators in recent weeks. But the scale of the revision, down to 0.9 per cent from a provisional 1.8 per cent, was far larger than anticipated.

This alone would have suppressed the dollar against a D-Mark and yen that have been resurgent this week. But the weakness was compounded by a succession of comments from Bundesbank council members, underlining that monetary growth in Germany may put the country's rate-cutting on hold for several weeks.

The comments, from regional central bank governors, underlined that April monetary growth had been very worrying and that next month's figures were expected to be no better.

The combination of these factors had three effects on the market yesterday.

First, they pushed the dollar down 2½ pfennigs on the day to a close of DM1.5870, as dealers took the view that the short term interest rate differential between both currencies might not narrow soon.

Second, the dollar's weakness put more pressure on its exchange rate against the yen, triggering two more rounds of central bank intervention from the Federal Reserve. The dollar still closed weaker in Europe, at Y107.20 from a previous Y107.80.

Third, the comments from the regional governors triggered more flows of funds into the D-Mark in the ERM, pushing the peseta below its central rate against the German currency for the second day running: the Spanish currency closed at Pta79.10 from a previous Pta78.83.

The French franc also weakened again, to close at FFr3.377 from a previous FFr3.371. The German currency closed 3 pfennigs stronger, at DM2.4775, against a pound that looked rudderless in the wake of the UK's cabinet reshuffle.

Mr Jim O'Neill of Swiss Banking Corporation has long believed the dollar could soon revisit its historic low against the German currency of DM1.3860 set last year.

Yesterday, Mr Neil MacKinnon, head of research at Citibank, took the same view. "We should expect the dollar to outperform the D-Mark in the longer term because of German weakness," he said. "But if DM1.55 breaks, there is effectively a black hole on the other side and there is a risk of significant weakness."

£ IN NEW YORK

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 28	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	192.854	187.305	-2.88	3.56	48
Irish Punt	0.808628	0.798880	-1.20	1.89	54
Dutch Guilder	2.19672	2.18728	-0.43	1.10	22
Belgian Franc	40.2123	40.0861	-0.38	1.03	15
Spanish Peseta	154.250	154.136	-0.07	0.74	1
D-Mark	1.94964	1.94935	-0.01	0.68	2
Danish Krone	7.43679	7.46898	0.45	0.22	-38
French Franc	6.53883	6.58247	0.67	0.00	-37

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

STERLING INDEX

CURRENCY RATES

POUND SPOT - FORWARD AGAINST THE POUND

May 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	[illegible] - 1.5880	1.5905 - 1.5915	0.36-0.34cpm	2.69	1.03-1.00pm	2.60
Canada	1.9675 - 1.9850	1.9840 - 1.9850	0.21-0.15cpm	1.09	0.67-0.44pm	1.62
Netherlands	[illegible]	[illegible]	[illegible]	-1.35	[illegible]	-1.55
Belgium	50.90 - 51.90	[illegible] - 51.00	3-7cdis	-1.18	10-18dis	-1.1
Denmark	[illegible]	[illegible]	2-3¼oredis	-3.24	[illegible]	-2.77
Ireland	1.0165 - 1.0320	1.0165 - 1.0175	0.10-0.13cdis	-1.36	0.29-0.37dis	-1.36
Germany	2.4750 - 2.5000	2.4750 - 2.4800	[illegible]	-2.12	1-1¼dis	-1.82
Portugal	[illegible] - 242.70	[illegible]	182-195cdis	-8.73	428-520dis	-7.95
Spain	195.60 - 196.75	195.60 - 196.10	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

OTHER CURRENCIES

EURO-CURRENCY INTEREST RATES

FORWARD RATES AGAINST STERLING

EXCHANGE CROSS RATES

MONEY MARKETS

Fall in Euromarks

DEALERS in German interest rate markets yesterday took the view that the Bundesbank would keep monetary policy tight for some time, following a succession of hawkish comments from the central bank's council members, *writes James Blitz.*

A common theme of trading in all money markets in the last five days has been the growing belief that Germany will put its interest rate cutting on hold because of fears that the D-Mark could weaken.

UK clearing bank base lending rate 6 per cent from January 26, 1993

That caution on policy was underlined very strongly yesterday as three more council members voiced fears about renewed growth in German money supply.

The 3 regional central bank presidents, all speaking separately, expressed concern about the deteriorating fiscal health of the state and federal governments because of the economic slowdown.

"What this means is that the external pressure to lower interest rates has gone and the Bundesbank is concerning itself with domestic issues," said one London-based money market dealer.

The comments triggered a strong fall in Euromark futures yesterday in remarkably heavy trading. The September contract was at one stage 25 basis points lower from its opening level, at 93.21. It later recovered to close at 93.33 with nearly 80,000 lots traded on the day.

At this level, the market is pricing 3-month D-Mark interest rates at 6.79 per cent, 70 basis points below yesterday's cash level.

French franc futures were also lower in the wake of the German move, although by a smaller margin. The September contract dropped 8 basis points to close at 93.06.

In sterling markets, dealers remained uncertain whether Mr Kenneth Clarke's appointment as UK chancellor would increase the prospects of another cut in UK base rates this year.

The September short sterling contract was more-or-less unchanged yesterday at 94.14, while the June contract was 2 basis points higher at 94.06. According to one sterling dealer, the market is unsure what Mr Clarke stands for. "He has never worked in the Treasury before," he said.

Three-month sterling cash closed yesterday ⅛ per cent softer at around 5⅝ per cent. There was a £2bn shortage, which was easily despatched with no late assistance.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PHILADELPHIA SE £/$ OPTIONS

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls July	Calls September	Calls December	Puts July	Puts September	Puts December
116	-	-	-	-	0.67	-
117	0.30	0.76	-	0.25	1.10	-
118	0.07	0.39	0.63	0.88	1.74	-
119	0.02	0.20	0.38	-	-	-
120	-	0.07	0.20	-	-	-
Open int.	115,138	31,417	17,195	96,206	14,313	8,810

Estimated volume 47,229 † Total Open Interest 285,778

† All Yield & Open Interest figures are for the previous day.

BANK RETURN

BANKING DEPARTMENT	Wednesday May 26, 1993		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	144,573,413	+	15,122,293
Bankers Deposits	1,632,594,835	+	179,226,961
Reserve and other Accounts	3,445,184,434	+	9,440,992
	5,246,905,782	+	203,790,186
ASSETS			
Government Securities	1,089,702,182	+	4,440,000
Advance and other Accounts	3,724,045,653	+	204,375,902
Premises Equipment & other Secs	442,806,842	-	9,929,514
Notes	10,123,923	+	4,918,321
Coin	227,420	-	14,523
	5,246,905,782	+	203,790,186
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	16,829,876,065	+	285,081,679
Notes in Banking Department	10,123,935	+	4,918,321
	16,840,000,000	+	290,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	7,851,610,982	-	1,901,453,123
Other Securities	8,977,373,918	+	2,191,453,123
	16,840,000,000	+	290,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	[illegible]
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs.	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES- Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int: Frequency at which interest is credited to the account.

MONTHLY AVERAGES OF STOCK INDICES

	May	April	March	February
FT-SE Actuaries Indices				
100 Index	2830.1	2837.5	2897.1	2840.2
Mid 250	3147.1	3105.5	3110.1	3025.3
350 Share	1410.7	1409.4	1432.9	1402.4
Industrial Group	1431.20	1432.70	1465.76	1440.31
500 Share	1522.69	1522.32	1552.97	1522.74
Financial Group	1002.84	990.45	982.79	948.61
All-Share	1397.10	1393.70	1415.40	1385.00
Eurotrack 100	1152.61	1152.22	1150.80	1121.55
Eurotrack 200	1214.80	1216.21	1217.68	1179.34
FT Indices				
Government Securities	94.84	96.27	97.19	95.77
Fixed Interest	111.13	112.21	112.87	111.41
Ordinary	2207.0	2213.2	2252.8	2195.2
Gold Mines	171.4	126.4	99.7	88.7
SEAQ Bargains(4.45pm)	28,856	30,702	36,564	32,641

	Highest Close May	Lowest Close May
FT-SE 100	2860.8 (12th)	2786.3 (6th)
FT-SE Mid 250	3175.5 (26th)	3109.5 (7th)
FT-SE 350	1422.7 (27th)	1390.5 (6th)
FT-A All Share	1409.17 (27th)	1377.63 (6th)
Ordinary	2231.1 (12th)	2186.9 (20th)

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 4.30 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ɸ Bargains done the previous day.

British Funds, etc

No. of bargains included 2137

Treasury 13¾% Stk 2000/03 - £131⅛

Exchequer 10½% Stk 2005 - £116⅝

Guaranteed Export Finance Corp PLC 11¾% Gtd Nts 1994 (Br - £103.34 12¾% Gtd Ln Stk 2002(Reg) - £126¾ (26My93)

Corporation and County Stocks

UK Public Boards

Foreign Stocks, Bonds, etc-(coupons payable in London)

Leeds Permanent Building Society 7½% Nts 1997(Br£Var) - £98¾ (26My93) 7⅝% Nts 1998 (Br £ Var) - £97¾ ¾ (25My93) 10⅞% Subord Bds 1998 (Br£5000) - £107⅞ (21My93) 10⅞% Subord Bds 2018 (Br £Var) - £103.9 (25My93) Collared Fltg Rte Nts 2003 (Br £ Var) - £100 100¼ (24My93)

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

Investment Trusts

Capital Gearing Trust PLC Ord 25p - 392 410

Clemente Korea Emerging Growth Fund Shs $10 (Reg Lux) - $10¾ 11⅛ 11⅛ 11¾ 11⅞ 11⅞ (24My93)

Drayton English & Int Trust PLC3.85% (Fmly 5½%) Cum Prf £1 - 57 (24My93)

Dunedin Income Growth Inv Tst PLC 11.5% Deb Stk 2016 - £120¾ (25My93)

Edinburgh Investment Trust PLC3.65% Cum Pfd Stk - £54 (21My93) 3¾% Deb Stk 1996 - £78 (25My93)

English & Scottish Investors PLC"B" 25p - 94 (21My93)

Fidelity European Values PLC Equity Linked Uns Ln Stk 2001 - 100

Finsbury Smaller Co's Trust PLC Zero Div Prf 25p - 167

Fleming American Inv Trust PLC3½% (Fmly 5%) Cum Prf Stk - £53

Fleming Japanese Inv Trust PLC Wts to Sub for Ord - 79 ½ 80 80 2

Fleming Mercantile Inv Trust PLC2.8% Cum Prf Stk £1 - 42

Foreign & Col Invest Trust PLC3.5% (Fmly 5%) Cum Prf Stk £1 - 52 (24My93)

Foreign & Colonial Smaller Co's PLC8% Cum Prf Stk - £51 (21My93)

Govett Strategic Inv Trust PLC9¾% Deb Stk 2017 - £105¾ (21My93)

Investors Capital Trust PLC4% Deb Stk Red - £40 (26My93)

USM Appendix

Suspended Securities

Rule 535(2)

Aston Villa Football Club PLC Ord £5(1 vote) - £34 (21My93)

Barclays Investment Fund(C.I.) Sterling Bd Fd - £01.455 (25My93)

Blocure Holdings PLC Ord 1p - £0.82

Buttress European Bond Fund Ptg Red Prf 1p - £2.58ɸ

CCL Group PLC Ord £1 - £2.06‡

Channel Islands Comms (TV) Ld Ord 5p - £0.37 (25My93)

Douglas Gas PLC Ord 25p - £0.67 (21My93)

Exchem PLC Ord 50p - £2.7 (24My93)

Westabix Ld"A" Non.V Ord 25p - £12.5

RULE 535 (4) (a)

Bargains marked in securities where principle market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Aust. Foundation Inv A$1.94 (24/5)
Bank of East Asia HK$37.75, 8.1789
Churchill Resources A$0.3057
Community Psychiatric Centers $8.5 (21/5)
Dainippon Screen Mfg. Y817.558 (25/5)
Idaho Power Co $28.75ɸ
Mount Martin Gold Mines A$0.858 (26/5)
North Flinders Mines 4.1 (25/5)
QB Search 29 (24/5)
Regal Hotels (Hldgs) HK$1.3346
Samedtha Hldgs. $1.389 (25/5)
Stentor Communications $K344.03 (26/5)

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FT-SE ACTUARIES INDICES

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LONDON STOCK EXCHANGE

Drug stocks pull the market down

By Terry Byland,
UK Stock Market Editor

Account Dealing Dates		
*First Dealings:		
May 10	May 24	Jun 7
Option Declarations:		
May 20	Jun 3	Jun 17
Last Dealings:		
May 21	Jun 4	Jun 18
Account Day:		
Jun 1	Jun 14	Jun 28

*New time dealings may take place from 8.30am two business days earlier.

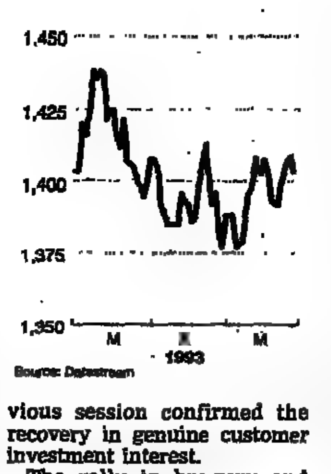
WIDER consideration of the appointment of a new chancellor of the exchequer in the UK appeared to do nothing to shake the view of the London stock market that little immediate change in domestic economic policy is likely. There was no shift in market forecasts by the leading securities houses, although one commented that, "Mr Lamont's memoirs should make interesting reading, especially if he publishes very shortly."

Mr Kenneth Clarke, the new chancellor, is expected to meet his test later this year when his budget will show whether he has been tough enough on public spending. Long-dated government bonds fell by nearly a full point yesterday, but market strategists maintained that it was much too soon to regard this as a judgement on the government reshuffle. An extremely poor opinion poll showing by the Conservative party in its southern England heartland reinforced the political pressures on the government.

The equity market, however, continued to react to Wall Street, which fell sharply yesterday as it moved into its new session with a loss of 25 points on the Dow Average. The London market, which had been moving narrowly during the early part of the session, extended its losses later.

The final reading put the FT-SE Index at 2,840.7, down 14.6. Lack of support also hit the FT-SE Mid 250 Index which lost a further 4.2 to 3,165.4. But trading volume was generally unimpressive. Seaq volume dipped to 577.3m shares from Thursday's 660.5m, with non-Footsie business providing about 66 per cent. Retail business worth £1.37bn in the previous session confirmed the recovery in genuine customer investment interest.

FT-A All-Share Index



Source: Datastream

The rally in brewery and consumer stocks seen on Thursday was reversed yesterday. Pharmaceutical stocks ran into pressure on renewed worries over the Clinton administration's healthcare policies. The final day of trading in its present shape of ICI, Britain's blue chip chemical group, passed ingloriously.

Over the week, the first leg of the two week trading account in equities, the FT-SE Index has gained 28.5 points or about 1 per cent. Although doubts on the progress of the recovery in the domestic economy have continued, UK equities have benefited from Wall Street's progress to new peaks – hence London's unhappiness when the Dow opened on the downside yesterday.

Subdued departure for ICI

THE extraordinary general meeting of ICI shareholders, called to vote on the Zeneca demerger, duly nodded through the break up of the old ICI company, albeit in the face of dissent by some shareholders, but was accompanied by a fresh bout of weakness across all classes of ICI/Zeneca shares.

In their last trading session before the demerger ICI "old" shares fell 11 more to 1244p, after turnover of 2.2m, and the "new" a further 8 to 608p, after 605p, on 1.9m traded. Zeneca, ex-rights, lost 8 to 632p and the nil-paid 7 to 37p.

Drug stocks hit

Some hefty falls in the prices of US pharmaceuticals stocks on Wall Street on Thursday evening, and renewed weakness in US markets when they opened yesterday, brought keen downside pressure in London on the big UK drug stocks.

The US drug sector, along with international drug stocks, fell back as investors reacted to renewed fears that the Clinton administration may instigate a series of reforms in the US healthcare system, including a closer scrutiny of profit margins in the drugs industry.

Wellcome, particularly, suffered badly, closing a net 23 off at 721p, only marginally above the day's low point. Glaxo fell away to 604p but later rallied to end a busy session only 3 off at 609p, after good turnover of 3.7m. BOC was another stock to come under fire after the latest bout of nervousness triggered by the US worries, the shares slipping 9 to 658p.

Pharmaceuticals specialists said the big underperformance of UK drug stocks so far this year – the FT-SE Actuaries Health and Household sub-sector has fallen about 17 per cent while the FT-SE 100 is marginally higher – was triggered by worries about the Clinton approach to the healthcare business.

Hartstone warning

Dealers demolished the Hartstone share price after the company, involved in leathergoods and hosiery, shocked the market by issuing another profits warning, the second in three months.

It accompanied the warning with news that it had breached banking covenants in its existing lending agreements and that the chairman and chief executive had relinquished his responsibilities.

Hartstone shares, which traded as high as 277p earlier this year, plunged to 32p before closing 57 down at 34p with the market suggesting that many speculators, gambling on takeover rumours in recent weeks, have been badly burned. Turnover in Hartstone reached a hefty 13m shares.

The market's latest newcomer, RPC Group, the packaging company put on a sparkling debut. Against a placing price of 125p, the shares raced up to close at 159p with 16m shares changing hands.

This week's switching out of the oil majors, BP and Shell, and into British Gas proved a short-lived affair, with the last-named losing almost all of Thursday's rise and closing 3½ down at 290½p. One specialist said: "Contrary to rumours in the traded options market earlier in the week, it was becoming increasingly obvious that the Monopolies Commission will open up the domestic gas sector to independent competition and that this will probably result in severe downward pressure on gas's earnings in the medium term."

BP eased 3 to 307¼p despite stories that the Cusiana oil field in Colombia may be officially declared commercial within a few days. Shell fell 6¼ to 605p, with Goldman Sachs, the influential US investment bank, a big seller.

The increase in the Lasmo's US bond issue, which dealers said showed the large appetite of the US lending institutions for oil stocks, saw the shares hold at 153p and probably underpinned its membership of the FT-SE 100 Index, at least until the next quarterly meeting of the FT-SE Steering Committee, on June 9.

A positive AGM statement from Tesco left the shares 1¼ up at 222p in good volume of 5m. The shares have been strong all week on anticipation of better news, which duly showed in yesterday's statement in the form of sales running more than 9 per cent higher than last year. Like-for-like sales, after stripping out the effect of new store openings, were said to be up 1.5 per cent in the first three months of its new financial year. Chairman Sir Ian MacLaurin said: "There are signs this year that our performance is improving against the opposition."

Hotel group Forte, which announced a 90.5 per cent take-up of its enhanced scrip dividend offer, gained 2 to 194p. Savoy Group climbed 20 to 775p. Forte refused to confirm press rumours that it has appointed a former Savoy executive to its management team.

Guinness continued to be the focus of attention in the drinks sector as the group followed up its AGM this week with a series of presentations. The shares have been flat performers in recent months, hemmed in by weak overseas markets, particularly in whisky, and worries over its brands. While some drinks analysts believe the bad news is now in the shares, there is little support for any short-term change in sentiment. Yesterday, the stock slipped 9 to 466p.

Shares in Mosaic Investments, suspended last September at 60p, were relisted following approval from shareholders for its re-organisation proposals. However, dealers remain cautious and the shares promptly dived 41 to close at 19p. Further weakness in English China Clays raised fears that the stock may lose its FT-SE 100 status. The shares gave up another 8 to 414p. McKechnie added 8 to 418p with BZW said to have been recommending the stock.

The list of stocks trading against the market trend included Lex Service, where the shares jumped 11 to 341p, after Smith New Court upgraded profit expectations and turned a buyer of the stock.

Smith increased the current year forecast by £1.6m to £37.5m and the following year's figure by £2.1m, saying: "Lex's change of policy to increase the sale of used cars is going to result in improved margins."

Suggestions that the weakness in GKN's German market, one of its most lucrative, may after all not be as bad as had been feared, together with a trading squeeze, saw the company's shares put on 9 to 457p.

Whispers of an impending order saw British Aerospace move 10 ahead to 339p, in trade of 1.8m. Sentiment was further assisted by a Paribas recommendation.

MARKET REPORTERS:
Christopher Price,
Steve Thompson,
Joel Kibazo.

■ Other statistics, Page 11.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (145).
AMERICANS (1) Lowe's, BANKS (7) Banco Santander, Fuji, Mitsubishi, Mitsui, Sakura, Sanwa, Toyo, BREWERS (4) Fuller STA, Mansfield, Morland, Wetherspoon (JD), BLDG MATLS (3) Johnston, SWP, Sheffield Insins., BUSINESS SERVS (6) Capita, Chubb Sec., Corporate Servs., Page (M), Reed Executive, CHEMS (1) Holliday, CONTG & CONSTRCN (1) Ashtead, ELECTRICALS (4) Chloride, Critchley, Pifco, Do A, ELECTRICITY (1) PowerGen, ELECTRONICS (1) Control Techs., ENG AERO (2) Brit. Aerospace, ML, ENG GEN (9) Adwest, BSS, Bricom, Hopkinsons, [illegible] Garton, MISC (7) Airsprung Furn., Black Arrow, Bluebird Toys, Gt. Southern, Savage, Sainsbys, Tyne (J), MOTORS (3) Channel, Sanderson, TLS Range, OIL & GAS (4) Edinburgh, Kelt Energy, Pan Pacific, Premier Cons., OTHER FINCL (8) Aberdeen, Jardine Strategic, Mercury Asset Mngmt., Mitsubishi, Perpetual, PACKG, PAPER & PRINTG (3) API, Bemrose, Wood (SW), PROP (6) Chesterfield, Bucknall, Evans of Leeds, Sateland, Wil. Nigel, STORES (4) Austin Reed, GUS, Oliver, World of Leather, TEXTS (8) Caldwell, Dewhirst, Hollas, Lamont, Shiloh, TRANSPORT (6) Bergesen, Brit. Airways, Do 5%pc Cv., Jacobs [illegible]

NEW LOWS (22).
[illegible]

EQUITY FUTURES AND OPTIONS TRADING

A general lack of interest in trading ahead of the long weekend as both UK bonds and Wall Street declined brought one of the poorest days in recent months in the derivatives, writes Joel Kibazo. Nowhere was the absence of both institutional and independent dealers more evident than in traded options sector which saw one of its lowest daily turnovers this year. Total volume was a mere 12,119 contracts against Thursday's 26,402 lots, of which 6,284 lots were dealt in the FT-SE 100 option. Hanson was the most active among the stock options with a day's total of 906 lots, followed by British Airways at 769. Other active stock options included SmithKline Beecham and Glaxo.

In stock index futures, the June contract on the FT-SE 100 index drifted lower for most of the trading session with its premium to the cash market eroded.

June finished at 2,839, a fall of 23 and at a discount to the underlying cash market. Volume was thin reaching only 6,377 by the official close.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]			
Brit. Aerospace	1,600	339	+10
British Airways†	5,300	310	+1
British Gas†	3,600	290½	-3½
British Land	136	300	-3
British Steel†	2,700	88¾	-2½
Burd	1,500	128	-1
Burmah Castrol†	435	704	+4
Burton	4,000	83	-1
Cable & Wire†	1,400	733	-10
Cadbury Schweppes†	2,500	441	+5
Calor Group	278	237	
Carlton Comms†	579	761	+5
Coats Viyella†	687	231	-2
Comm. Union†	652	569	
Cookson	774	201	+1
Courtaulds†	945	537	-1
[illegible]			

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

FINANCIAL TIMES EQUITY INDICES

	May 28	May 27	May 26	May 25	May 24	Year ago	*High	*Low
Ordinary share	2205.0	2213.7	2208.6	2208.5	2193.6	2104.7	2299.5	2124.7
Ord. div yield	4.24	4.21	4.23	4.24	4.26	4.39	4.32	4.07
Earning yld % full	5.13	5.11	5.13	5.15	5.14	5.43	5.38	5.76
P/E ratio net	19.90	20.02	19.98	19.90	20.04	19.46	22.04	19.40
P/E ratio nil	18.65	18.76	18.70	18.68	18.76	18.07	20.30	18.14
Gold Mines	198.4	197.1	202.7	195.3	200.3	105.5	202.7	80.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation: high 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2213.8	2213.2	2209.1	2209.9	2208.6	2205.3	2205.3	2202.1	2202.3	2214.8	2201.4

	May 28	May 27	May 26	May 25	May 24	Year ago
SEAQ Bargains	28,846	27,251	27,434	27,681	28,748	23,652
Equity Turnover(£m)†	-	1365.0	1430.5	1286.2	1561.7	791.8
Equity Bargains†	-	31,800	31,585	32,155	32,644	26,506
Shares traded (mil)†	-	566.8	527.4	529.3	507.6	361.3

† Excluding intra-market business and overseas turnover.

London report and latest Share Index Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since December 31 1992 based on Friday May 28 1993

Gold Mines Index	+310.48	Transport	+5.81
Merchant Banks	+35.70	Business Services	+4.85
Property	+32.21	Motors	+4.78
Engineering-Aerospace	+29.55	Telephone Networks	+4.06
Metals & Metal Forming	+28.79	Chemicals	+3.59
Contracting, Construction	+28.28	Other Industrials	+3.20
Building Materials	+22.53	FT-A All-Share	+2.91
FT-SE SmallCap ex Inv Tst	+19.40	Other Groups	+2.72
FT-SE SmallCap	+18.49	Water	+2.47
Banks	+17.31	Conglomerates	+2.30
Financial Group	+15.78	FT-SE-A 350	+2.02
Insurance (Life)	+14.21	Insurance (Composite)	+1.95
Electricals	+14.04	Insurance Brokers	+0.59
Electronics	+13.26	"500" Share Index	+0.50
Capital Goods	+12.50	FT-SE 100	+0.20
FT-SE Mid 250	+10.87	Industrial Group	-0.41
Investment Trusts	+10.31	Hotels & Leisure	-1.01
Electricity	+10.11	Food Manufacturing	-1.63
Oil & Gas	+9.46	Stores	-2.78
Engineering-General	+9.45	Consumer Group	-2.89
Packaging, Paper & Printing	+7.96	Food Retailing	-7.14
Media	+6.71	Brewers & Distillers	-7.57
Textiles	+6.19	Health & Household	-13.28
		[illegible]	-18.15

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	113.5180	-0.463	7.67	7.64	7.48
BELGIUM		9.000	03/03	111.8000	-	7.38	7.41	7.50
CANADA *		7.250	06/03	98.1000	-0.500	7.52	7.62	7.63
DENMARK		8.000	05/03	103.3000	-0.050	7.52	7.47	7.66
FRANCE	BTAN	8.000	05/98	105.2860	-0.173	6.70	6.81	6.73
	OAT	8.500	04/03	108.7600	-0.410	7.22	7.15	7.18
GERMANY		6.75	04/03	99.2300	-0.345	6.86	6.88	7.03
ITALY		11.500	03/03	98.9350	-0.450	12.40†	12.23	12.52
JAPAN	No 119	4.800	06/99	101.4768	-0.002	4.49	4.57	4.36
	No 145	5.500	03/02	105.7078	-0.103	4.59	4.62	4.44
NETHERLANDS		7.000	02/03	102.0500	-0.290	6.70	6.70	6.84
SPAIN		10.300	06/02	98.3944	-0.268	10.95	10.90	11.14
UK GILTS		7.250	03/98	100-13	-8/32	7.14	7.11	7.06
		8.000	06/03	99-10	-16/32	8.10	8.07	7.94
		9.000	10/08	104-06	-24/32	8.50	8.47	8.33
US TREASURY *		6.250	02/03	100-01	+20/32	6.11	6.11	6.04
		7.125	02/23	102-11	-8/32	6.93	7.01	6.81
ECU (French Govt)		8.000	04/03	103.3000	-0.260	7.51	7.49	7.57

London closing May 28th. *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	2	72	5	156	146	60
Other Fixed Interest	0	6	9	18	16	44
Commercial, Industrial	284	273	842	1,581	1,187	4,251
Financial & Property	111	142	548	681	495	2,631
Oil & Gas	21	16	47	117	88	227
Plantations	0	0	8	3	3	34
Mines	41	35	82	227	192	392
Others	46	49	32	207	152	214
Totals	505	593	1,653	3,143	2,286	7,923

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2840.7 -14.6	3165.4 -4.2	1403.42 -5.75

[illegible]

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	High/day	Low/day
FT-SE 100	2854.6	2852.7	2848.1	2849.3	2844.7	2843.9	2840.3	2840.1	2839.0	2840.7	2855.5	2838.9
FT-SE Mid 250	3169.8	3170.6	3167.1	3168.1	3165.4	3165.2	3165.2	3165.9	3165.4	3165.4	3170.8	3165.1
FT-SE-A 350	1422.5	1421.6	1418.9	1420.1	1418.2	1418.0	1416.5	1416.5	1416.0	1416.7	1422.8	1415.9

FT-SE Actuaries 350 Industry Baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Prev close	change
Constrn	1861.4	1853.7	1847.2	1832.0	1833.2	1833.2	1833.2	1833.0	1833.5		1864.8	-31.1
Health&H	1081.7	1077.2	1075.2	1076.1	1073.4	1072.9	1071.3	1073.3	1077.7	1078.2	1082.9	-4.7
Water	1392.0	1391.0	1389.3	1388.9	1387.7	1387.7	1388.8	1386.9			1386.7	-0.6
Banks	1717.5	1716.4	1712.7	1714.1	1712.9	1712.6	1710.1	1709.7	1707.5	1708.8	1719.4	-10.6

[illegible]

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index and the FT-SE SmallCap Index are compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. © The Financial Times Limited 1993. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. Auditor: The WM Company.

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	152.6	163.9	182.0	-1.30	0.00
AIB Grofund Equity	5	204.0	206.7xd	218.7	-0.70	1.02
AIB Grofund Euro	5	162.1	165.7	172.3	+1.20	0.78
AIB Grofund Eqt Balanced	3	100.8	102.5	105.7	+0.60	2.74
AIB Grofund Gilt	3	77.29	77.22	79.60	-0.11	5.09
AIB Grofund Japan	5	174.1	175.7	184.8	-2.00	0.00

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A3AS. 071-637 5377

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American	5	262.7	262.7	275.7	+0.8	0.70
S & W Capital	5	116.6	116.6	125.2	+0.4	1.94
S & W Cash	0	100.85	100.85	100.85	+0.02	5.36
S & W European	3	110.8	110.6	117.5	+1.2	1.39
S & W Far Eastern	5	147.0	148.6	157.1	-0.2	0.00
S & W Growth	5	125.5	127.3	134.8	+0.5	1.19
S & W Income	5	112.1	113.5	119.6		4.84
S & W Managed	5	123.3	123.3	132.3	+0.5	1.54
S & W Smllr Cos	6	315.6	321.8	340.4	+0.4	0.55
S & W Thoroughbred	5	142.4	144.4	152.8	+0.5	1.47

For Scottish Amicable Trustee Investment see Henderson

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cash	1	49.69	49.69	50.19		5.3
Capital Primrose	5½	55.47	55.77	59.45	-0.03	0.0
Global	5½	52.57	55.55	59.94	-0.02	3.0
European Growth	5½	58.06	66.50	69.29	+0.07	3.0
Income	3½	50.07	51.41	54.69	-0.13	3.7
Intl Growth	5½	78.05	78.60	83.83	+0.09	3.0
Managed	3½	66.45	69.19	73.60	+0.18	3.5
UK Growth	5½	54.02	55.39	58.00	-0.20	4.6

Standard Life Tst Mgmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

State Street Unit Trust Mngmt Ltd (1400)F
20 Birchin Lane, London EC3V 9AA

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

Robert Fleming Asset Mngmt Ltd

Foreign & Colonial Unit Management Ltd

Funds In Court*

*Restricted to monies under Court control

Govett (John) Unit Mngmt Ltd

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd ‡

INSURANCES

OTHER UK UNIT TRUSTS

[illegible]

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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INVESCO MIM International (Jersey) Ltd

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd (1400)F

Standard Bank Fund Mngmt (Jersey) Ltd

TSB Trust Funds (CI)

Bank Von Ernst & Cie AG - Contd.

Banque Scandinave a Luxembourg SA

Barclays Diversified Portfolio

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

US MARKETS (3 pm)

[illegible]

CANADA (3 pm)

[illegible]

AUSTRIA / BELGIUM/LUXEMBOURG / DENMARK / FINLAND / FRANCE / GERMANY / ITALY / NETHERLANDS / NORWAY / SPAIN / SWEDEN / SWITZERLAND / SOUTH AFRICA / AUSTRALIA / HONG KONG / MALAYSIA / SINGAPORE

[illegible]

JAPAN

[illegible]

INDICES

NEW YORK

DOW JONES	May 27	May 26	May 25	May 24	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3554.83	3540.16	3516.23	3507.78	3554.83 (27/5)	3241.95 (20/1)	3554.83 (27/5/93)	41.22 (2/7/32)
Home Bonds	106.60	106.71	106.61	106.70	107.67 (7/5)	102.49 (11/1)	501.97 (27/4/83)	54.99 (1/10/81)
Transport	1693.82	1697.00	1686.20	1684.79	1693.08 (16/4)	1453.64 (4/1)	1693.08 (16/4/93)	12.32 (8/7/32)
Utilities	238.36	238.73	236.17	234.91	247.88 (16/4)	[illegible] (8/1)	247.88 (16/4/93)	10.50 (8/4/32)

DJ Ind. Day's High 3582.23 (3558.96) Low 3523.28 (3498.64) (Theoretical♦)
Day's High 3565.07 (3548.19) Low 3540.16 (3513.86) (Actual♦)

STANDARD AND POOR'S

	May 27	May 26	May 25	May 24	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	452.41	453.44	449.85	448.00	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	523.31	524.37	520.26	516.41	524.99 (10/3)	495.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	43.34	43.60	42.45	42.28	46.67 (13/4)	39.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	248.43	248.90	247.70	247.07	251.36 (10/3)	236.21 (8/1)	251.35 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	438.93	437.13	434.07	431.56	438.93 (27/5)	395.84 (8/1)	438.93 (27/5/93)	29.31 (9/12/72)
NASDAQ Composite	704.69	704.09	698.04	694.69	708.85 (4/2)	645.87 (26/4)	708.85 (4/2/93)	54.87 (31/10/72)

	May 21	May 14	May 7	year ago (approx.)
Dow Industrial Div. Yield	2.94	2.97	3.04	2.92
	May 26	May 19	May 12	year ago (approx.)
S & P Industrial div. yield	2.46	2.49	2.52	2.65
S & P Ind. P/E ratio	25.88	36.60	26.25	26.77

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
BP	8,412,900	58½	+ ½
Pepsico	4,231,200	36¼	- ⅜
IBM	4,013,800	[illegible]	+ ½
Total	3,796,500	24¾	+ ⅜
Fla	3,213,000	18½	---
Mark Century	2,838,900	19⅝	---
Wal-Mart	2,770,900	27¾	- ⅛
Time Warner	2,727,800	37½	- ¼
Syntex	2,725,700	20⅜	+ 1
Unisys	2,511,300	11½	---

TRADING ACTIVITY

† Volume (Millions)	May 27	May 26	May 25
New York SE	282.403	275.200	222.094
Amex	22.113	18.835	17.621
NASDAQ	277.766	293.393	252.570
NYSE			
Issues Traded	2,516	2,521	2,521
Rises	905	1,251	1,126
Falls	980	630	806
Unchanged	630	640	589
New Highs	130	95	66
New Lows	14	22	18

CANADA

TORONTO	May 27	May 26	May 25	May 24	1993 HIGH	1993 LOW
Metals & Minerals	2944.09	2927.40	2916.13	(c)	2972.25 (9/3)	2743.31 (21/1)
Composite	3889.70	3865.20	3859.51	(c)	3889.70 (27/5)	3275.60 (21/1)
MONTREAL Portfolio	1914.03	1915.71	1911.22	(c)	1915.71 (26/5)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

	May 28	May 27	May 26	May 25	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1760.4	1749.1	1717.4	1697.4	1760.40 (28/5)	1486.00 (13/1)
All Mining (1/1/80)	801.9	788.7	767.8	780.5	801.90 (28/5)	684.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	331.26	330.86	330.67	330.16	367.78 (9/3)	300.28 (14/1)
Traded Index (2/1/91)	[illegible]	797.46	793.21	794.96	860.17 (3/3)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	[illegible]	1197.66	1196.35	1190.93	[illegible] (7/4)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	298.73	[illegible]	298.86	300.33	306.06 (14/5)	281.90 (4/1)
FINLAND						
HEX General (28/12/90)	1213.9	1208.4	1209.2	1235.2	1249.20 (21/5)	843.10 (22/1)
FRANCE						
CAC General (31/12/87)	519.09	518.91	516.98	510.54	547.37 (30/3)	471.24 (15/1)
CAC 40 (31/12/87)	1898.70	1904.59	1890.43	1891.09	2035.97 (30/3)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	642.25	641.15	640.48	636.98	675.70 (10/3)	598.92 (14/1)
Commerzbank (1/12/53)	1820.9	1817.4	1815.3	1805.4	1908.10 (10/3)	1694.30 (14/1)
DAX (30/12/87)	1631.65	1634.47	1622.00	1618.18	1717.40 (11/3)	1518.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7397.91	7447.24	7349.72	7368.18	7447.24 (27/5)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1552.46	1586.27	1554.03	1543.82	1591.74 (18/4)	1191.18 (11/1)
ITALY						
Banca Com. Ital. (1972)	539.45	540.81	551.99	558.55	559.17 (20/5)	446.33 (6/1)
MIB General (4/1/93)	1192.0	1134.9	1219.0	1234.0	1236.00 (20/5)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20843.69	20852.63	20895.69	20631.78	21054.71 (10/5)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1654.82	1653.71	1639.72	1618.29	1654.82 (28/5)	1250.06 (25/1)
2nd Section (4/1/68)	2375.45	2354.33	2327.65	2313.38	2375.45 (28/5)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	735.25	736.07	735.39	731.37	736.07 (27/5)	614.28 (13/1)
NETHERLANDS						
CBS Til.Rtn.Gen.(End 1983)	332.7	335.6	334.3	332.9	335.60 (27/5)	295.70 (4/1)
CBS All Shr (End 1983)	218.6	220.5	219.7	218.7	223.50 (19/4)	196.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	797.96	800.90	796.70	797.00	827.94 (6/5)	668.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1597.45	1609.03	1608.65	1592.64	1654.39 (5/5)	1270.86 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	467.76	464.89	463.26	460.58	467.76 (28/5)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1847.0♥	1834.6	1869.0	1854.0	1885.00 (24/5)	775.00 (6/1)
JSE Industrial (28/9/78)	4535.0♥	4521.0	4526.0	4518.0	4645.00 (10/2)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	(c)	737.22	729.91	727.27	737.59 (22/4)	605.93 (8/3)
SPAIN						
Madrid SE (30/12/85)	259.77	262.58	259.33	258.80	262.58 (27/5)	215.60 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1097.0	1098.2	1090.6	1095.8	[illegible] (27/5)	879.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1007.1	1004.9	1000.0	1001.1	1007.10 (28/5)	904.60 (11/1)
SBC General (1/4/87)	772.7	772.7	768.7	764.8	772.70 (27/5)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	4356.10	4208.95	4245.26	4227.05	5013.28 (7/4)	3098.43 (9/1)
THAILAND						
Bangkok SET (30/4/75)	836.03	827.91	838.16	843.33	998.44 (25/1)	827.91 (27/5)
WORLD						
M.S. Capital Intl.(1/1/70) $	575.7*	573.8	572.0	565.2	575.70 (28/5)	498.60 (13/1)
Euro Top-100 (26/6/90)	975.21	978.86	977.03	977.75	979.86 (27/5)	862.73 (13/1)

**Saturday May 22: Taiwan Weighted Price 4,295.43, Korea Comp Ex. 733.34
♥ Subject to official recalculation.
*Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000; JSE Gold - [illegible]

WORLD STOCK MARKETS

AMERICA

Drop in bonds, futures selling hit equities

Wall Street

A SHARP fall in bond prices, a downward revision in first quarter economic growth figures and selling in the futures markets combined to drive share prices sharply lower yesterday, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 39.58 at 3,515.26.

The broadly based Standard & Poor's 500 was down 4.14 at 448.27, while the Amex composite was 1.89 lower at 437.04, and the Nasdaq composite down 9.02 at 695.57. Trading volume on the NYSE was light at 130m shares by 1 pm.

After records on consecutive days, analysts expected Dow stocks to run into profit-taking yesterday morning.

It was no coincidence that the three big stocks which provided almost all of the gains for the Dow on Thursday – Chevron, Caterpillar and Texaco – were all lower on heavy selling yesterday.

Investors remain nervous about the markets' recent gains, unsure as to whether the state of the economy and the outlook for corporate earnings justify prices at such high levels.

Yesterday's news that the original estimate of a 1.8 per cent growth in gross domestic product during the first quarter had been revised down to just 0.9 per cent seemed to confirm that economic recovery this year is advancing at a slow pace.

It was these concerns about the economy, allied to some selling of stock-index futures, which together with profit-taking pushed equities lower across the board.

Later in the day, a sharp fall in bond prices only added to the decline.

Chevron fell $1⅝ to $87¼, Texaco gave up $⅝ at $63⅝ and Caterpillar dropped $1 to $71⅝, all on profit-taking following recent gains.

Steel stocks featured with USX dropping $3 to $42⅝ after a federal appeals court upheld a judgment in an anti-trust case against a railroad once owned by USX.

The group will be responsible for paying the damages, estimated at $630m, unless the Supreme Court overturns the ruling. LTV, which is the main beneficiary of the judgement, rose $⅛ to $⅝ in volume of 5.7m shares.

National Steel fell $1⅜ to $18 after Goldman Sachs downgraded the stock from a "buy" to a "market performer", while Bethlehem Steel was also hit by selling, falling $1⅛ to $19.

Concern about the economic outlook hit airline stocks: AMR, parent of American Airlines, fell $1 to $70⅝, Delta tumbled $1⅞ to $57⅝ and UAL dropped $2⅝ to $133⅞.

Jenny Craig rose $1⅜ to $16⅛ on hopes that the company, which operates weight loss centres, will benefit from the financial troubles afflicting one of its main competitors, Nutri-System.

Canada

TORONTO bounced back from early losses to trade slightly lower at midday as the gold index recovered from morning weakness.

The TSE-300 composite index dipped 2.02 to 3,867.70 in turnover of 29.97m shares valued at C$236.06m.

The precious metals sector index rose 132.57, or 1.6 per cent to 8,531.67 as gold futures prices rebounded from early lows. Traders saw Comex gold moving higher in later trade.

SOUTH AFRICA

JOHANNESBURG's gold share rally was trimmed back as bullion failed to hold above $380. Off the day's highs, the gold index closed up 13 at 1,847. Industrials gained 14 to 4,535 and the overall 6 to 3,992. Anglos gained R2 to R139 ahead of results next week.

Bundesbank and German investors in a bind

Christopher Parkes explains the economic background to the becalmed and troubled Frankfurt bourse

Just when it seemed safe for investors to raise their heads above the parapet – a federal budget consolidation programme in the bag, an outbreak of industrial harmony in east and west, and interest rates apparently fixed on a gentle but persistent downwards slope – the flak has started to fly again.

Growth in German money supply, after lagging early in the year so far below the central bank's target range that some Bundesbankers even started to believe that action was needed to give it some encouragement, returned to its bad old ways in April with a 7.3 per cent annualised surge in the M3 measure.

Then came Mr Theo Waigel, finance minister, confirming the discovery of another black hole in federal revenues.

Some DM100bn of savings would be needed to the end of 1996, he said. The Bundesbank, already blaming the government for most of the upwards lurch in M3 and thereby feeding more inflationary pressure into the system, was hardly likely to be impressed by the implications for federal deficits.

This week, as more junior members of the bank's policy-making council muddied the issue, differing in public over whether a "pause" in the interest rates decline was necessary or not, Mr Otmar Issing, a member of the bank's permanent directorate, tried to raise the mood.

The German economy would hit bottom this summer (industrial output fell more than 10 per cent in the first quarter), but it would start to improve in the second half.

Then he spoilt it all. Inflation of 4 per cent was incompatible with the bank's aim of stability. Monetary growth rates and a situation in which the D-Mark was relatively strong outside the country but declining in purchasing power inside, made it difficult for the bank to formulate policy, he said.

The bank once again finds itself in a bind, more willing than it is prepared publicly to admit to ease rates in the interests of softening the domestic recessionary squeeze, but unable to move as fast as some of its members and most of the rest of Europe would like for fear of rocking the D-Mark's stability.

This leaves investors in a comparable position, weighing the likelihood of rate cuts pushing the market upwards against the downward tendencies of falling company earnings. Mr Thomas Holmes, at Schröder Münchmeyer Hengst, believes this condition will prevail through the summer.

Although he believes that the Bundesbank "must and will do something", its policy makers were genuinely shocked by April's monetary growth through its annualised ceiling of 6.5 per cent. Their lack of action on securities repurchase rates, following the recent relatively steady downward moves followed by chips off the discount rate, suggests that they feel that market expectations had started once again to exceed what they could realistically deliver.

The government has promised to cut deep into public spending. There will be no sacred cows, it pledges. The Bundesbank has heard such promises before and may be forgiven for a measure of scepticism.

For all its failings, however, the first so-called "solidarity pact" which was intended once and for all to stem deficits, at least proved that the political establishment was capable of relatively speedy compromise in areas where rapprochement would have been unthinkable a year ago.

Spending cuts on the scale now needed will require approval by the opposition-controlled Bundesrat or upper house.

While the horse-trading proceeds, the bank is unlikely to sit on its hands. Partly to encourage the negotiators, but mainly to prevent any further decline in consumer and business confidence, it will probably make its contribution in the shape of sporadic but small rate reductions.

It is still widely believed in Germany that the post-summer recovery (an unhappy echo of the one being forecast at this time a year ago) will start from improved foreign sales, which account for some 45 per cent of gross national product.

Given that 70 per cent of exports go to European countries, many of which are labouring under high interest rates as a result of Bundesbank policy, the optimists are well advised to be cautious.

At current exchange rates, German products also lack a certain edge in the area of price competitiveness.

Chances of internally generated demand helping to improve matters are virtually nil.

With industrial capacity utilisation below 80 per cent, there is no reason for increased capital investment.

Consumers are tightening their belts to cope with a real earnings fall this year – average pay is up by 3.5 per cent while average inflation will be 4 per cent. They are increasingly afraid of unemployment: industrial absenteeism is half "normal" levels. Already confronted with a round of looming increases in taxes and welfare contributions, the public now face a round of swingeing public spending cuts to fill Mr Waigel's black hole.

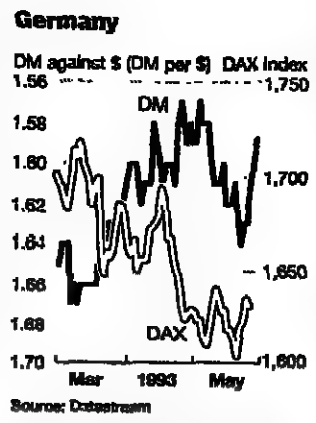
Such confidence as exists within industry and government about an end to the recession is based partly on the shaky premise that things, surely, cannot get any worse. The finance and economics ministries, in an unusual display of harmony, agree this is now the worst economic slump in the history of the federal republic.

Where it is to be found at all, hard evidence for improvements is equally flimsy. At Volkswagen, for example, where the management has done a creditable job talking up its prospects, chairman Mr Ferdinand Piëch admits that most of the company's progress back towards consistent profitability this year will have to come from cuts within.

As for selling cars, he says that he expects business to get a bit of a lift from the September Frankfurt motor show. Meanwhile, he says he is encouraged by an increase in second-hand car prices over the past three weeks.

That Mr Piëch, for all his preoccupations, should keep such a close eye on the banger market speaks volumes for the intensity of the search for good news.

Germany



Source: Datastream

EUROPE

Milan weakens ahead of results from Montedison

ACTIVITY was moderate yesterday as markets wound down ahead of the long weekend, *writes Our Market Staff.*

MILAN waited for the Montedison and Ferruzzi results, which were due out after the close of trading. However, with many analysts expecting substantial losses from the former – confirmed after the session had ended – the Consob suspended dealings in Montedison shares in after hours trading. The shares fixed L45 lower at L1,330.

The Comit index closed off 1.36 at 539.45, 3.4 per cent lower on the week.

In its latest survey of Italian equities Kleinwort Benson comments that with Mr Carlo Ciampi now installed as prime minister "the government could well deliver what the market is asking for: a tough 1994 budget, a favourable wage agreement, a clear electoral reform and a successful kick-off to the long awaited privatisations".

After the close Ferruzzi announced that it would open up its capital to outside participants. Its shares fell L11 to L1,063.

The nervousness in Fiat, which has hung over the shares all week, continued with investors expecting a cut in the dividend when it announces its results on Monday. The shares closed down L245 at L5,860 before gaining slightly on the kerb to L5,875.

Among the day's gainers, Stet attracted interest with a rise of L55 to L3,076, improving to L3,113 after hours.

PARIS lost ground in technical trading and some profit-taking ahead of the long weekend.

The CAC-40 index lost 15.89 to 1,888.70, up 1.5 per cent on the week. Turnover of some FFr5bn was swollen by the expiry of futures and options.

The automotive sector remained under pressure after further gloomy news on European car sales: Peugeot slipped FFr8 to FFr531 and Michelin FFr8.40 to FFr137.60.

Elsewhere Elf Aquitaine lost FFr1.70 to FFr374.50 following a disappointing profits forecast on Thursday.

MADRID lost the better part of this week's gains on profit-taking and futures related selling, the general index ending 3.81 lower at 258.77, up 1 per cent on the week, in turnover of Pta20bn.

All sectors fell, Argentaria losing Pta160 to Pta4,605 in banks, and Repsol Pta50 to Pta3,245.

AMSTERDAM subsided as recession fears increased, reflecting the lower dollar and a worse than expected fall in first quarter GDP. The CBS Tendency index fell 1.3 to 105.2, 0.7 per cent up on the week.

ZURICH held its own against the lower dollar, the SMI index closing 2.6 higher at 2,270.7, 1.7 per cent higher on the week. The watchmaker, SMH, extended its gains, up another SFr40 at SFr1,990 on buying from Geneva.

STOCKHOLM fell after the release of a larger than expected loss by Trelleborg, the mining group. The Affärsvärlden general index lost 1.2 to 1,097.0, up 0.45 per cent on the week.

Trelleborg fell SKr3.00 to SKr51.50 after reporting a pre-tax loss of some SKr427m in four months to April.

LISBON continued its upward career, the BTA index putting on 57.5 to a new 1993 high of 1,994.8 at 1 pm for a gain on the week of 7.4 per cent. Among the features was a 46 per cent gain in Lisnave, the world's largest ship repair company, which put restructuring proposals to the government yesterday.

ISTANBUL soared 3.45 per cent to a new record high, the 75-share market index gaining 279.68 to 8,375.75. Turnover was TL800bn.

Brokers said that a rally had been expected before next week's holiday as buyers could take advantage of a 10-day delay in settlements.

FT-SE Actuaries Share Indices

May 28 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1162.60	1163.61	1163.35	1161.76	1162.01	1160.57	1161.17	1161.58
FT-SE Eurotrack 200	1227.99	1230.05	1230.07	1227.58	1227.58	1224.67	1225.22	1224.65

	May 27	May 26	May 25	May 24	May 21
FT-SE Eurotrack 100	1165.01	1162.51	1164.13	1156.58	1155.78
FT-SE Eurotrack 200	1231.31	1228.76	1224.18	1217.42	1215.46

Base value 1000 (26/10/90) High/day: 100 - 1164.60; 200 - 1230.17 Low/day: 100 - 1159.74 200 - 1224.12.

ASIA PACIFIC

Nikkei eases in an otherwise strong region

Tokyo

EQUITIES ended only marginally lower in spite of the yen's continued advance against the dollar, as investors waited patiently for fresh incentives, *writes Wayne Aponte in Tokyo.*

The Nikkei average lost 8.94 to 20,843.69, up 1.4 per cent on the week, after reaching a session high of 20,939.66 and a low of 20,746.61. The Topix index of all first section issues rose 1.11 to 1,654.82 and, in London, the ISE/Nikkei 50 index rose 3.19 to 1260.22.

Volume was 550m shares compared to Thursday's 757m. Advances led declines 628 to 434 with 127 issues unchanged.

Brokers said that investors lacked the energy and the interest to lift equity prices, with arbitrageurs and individual investors dominating dealing for most of the session.

Market participants kept to the same strategy of focusing on individual issues with above-average results, or shares backed by strong incentives, an analyst at a Japanese brokerage said.

Non-ferrous issues rose in tandem with gold prices overseas: Mitsui Mining and Smelting Y13 to Y564, Sumitomo Metal and Mining Y10 to Y1,090 and Dowa Mining Y3 to Y656.

Isuzu Motors, the day's most active issue, advanced Y16 to Y530 on reports that it will develop a ceramic engine.

But profit-taking put pressure on financials, after two consecutive sessions of sharp gains. Mitsubishi Bank retreated Y20 to Y2,760, Daiichi Kangyo Bank Y10 to Y2,030 and Daiwa Bank Y20 to Y1,170.

In Osaka, the OSE average ended 31.88 higher at 23,112.76, in volume of 36.0m shares.

Roundup

A STRONG end to the week's trading was recorded by several of the region's markets yesterday.

SINGAPORE broke through the 1,900 barrier to close at its second successive year's high helped by strong overseas interest. The Straits Times Industrial index finished 19.18 higher at 1,905.34 in volume of 311.5m shares, a gain of 2.4 per cent on the week.

Sembawang Shipyard was among the actives, the shares rising 70 cents to S$13.70 and the warrants 80 cents to S$8.05.

TAIWAN saw a strong technical rebound after recent losses: the weighted index closed up 146.15 at 4,356.10, a week's advance of 1.3 per cent. Turnover was T$27.3bn, up from T$17.9bn.

The financial sector led the advance, gaining some 6 per cent, with the important banks and Cathay Life rising by their daily limits.

AUSTRALIA remained firm as the price of gold continued to rise. The All Ordinaries index ended up 11.8 at 1,760.4 and up 3.8 per cent on the week.

The gold index put on 80.1 or 4.2 per cent to 1,996.9, its highest since July 22 1988, with Placer Pacific up 17 cents to A$3.34 and Poseidon Gold gaining 32 cents to A$3.42.

HONG KONG, however, lost some momentum as confirmation of the reopening of airport talks between China and Britain and the likely renewal of China's Most Favoured Nation status by the US triggered profit-taking. The Hang Seng index shed 49.33 to 7,397.91, a gain of 3.2 per cent on the week.

Property groups were affected, with Cheung Kong and Sun Hung Kai Properties falling 50 cents each to HK$28 and HK$39.50 respectively.

NEW ZEALAND closed at another record high although turnover dropped to NZ$27m from Thursday's NZ$33m. The NZSE-40 index rose 7.72 to 1,650.16, up 2 per cent on the week. Brokers said that the rally had been driven by Fletcher Challenge, up 3 cents at NZ$2.77.

MANILA fell sharply as many foreign investors took profits. The composite index shed 11.58 to 1,597.45 but remained 1.6 per cent ahead on the week. Turnover was 382m pesos.

BOMBAY fell for the fifth consecutive session, the BSE index closing down 50.38 at 2,165.58.

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS - Cont.

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	THURSDAY MAY 27 1993: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY MAY 26 1993: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1993 High	1993 Low	Year ago (approx)
Australia (68)	139.38	+1.5	132.89	94.98	116.82	133.82	+2.1	3.72	137.29	131.70	94.25	116.49	131.05	144.15	117.39	152.20
Austria (18)	143.18	+1.1	136.50	97.56	119.98	119.95	+0.1	1.72	141.61	135.85	97.22	120.16	119.81	150.96	131.16	168.46
Belgium (42)	145.15	+1.4	138.39	98.90	121.64	118.66	+0.5	4.79	143.21	137.38	98.30	121.50	118.31	156.76	131.19	141.70
Canada (106)	129.73	+0.0	123.69	88.40	108.72	118.65	-0.1	2.78	129.77	124.49	89.08	110.10	118.78	129.97	111.41	126.46
Denmark (33)	216.93	+1.1	206.83	147.82	181.80	181.89	-0.2	1.24	214.67	205.93	147.37	182.14	182.33	225.64	185.11	243.72
Finland (23)	97.79	-0.1	93.23	66.64	81.95	112.46	-0.3	1.09	97.85	93.87	67.18	83.03	112.84	100.92	65.50	78.48
France (98)	157.21	+1.8	149.89	107.12	131.75	134.09	+0.7	3.35	154.42	148.14	106.00	131.01	133.17	167.36	142.72	163.34
Germany (62)	111.53	+1.8	106.34	76.01	93.47	93.47	+0.6	2.27	109.55	105.09	75.21	92.94	92.94	117.10	101.59	122.47
Hong Kong (55)	301.61	+1.2	287.57	205.52	252.79	299.15	+1.2	3.12	297.95	285.82	204.53	252.81	295.57	301.61	218.82	250.28
Ireland (15)	163.21	+1.4	155.61	111.22	136.78	152.20	+0.4	3.48	161.00	154.44	110.52	136.60	151.64	170.40	129.28	155.75
Italy (73)	69.50	-1.5	66.27	47.36	58.25	76.80	-2.0	2.50	70.53	67.66	48.41	59.84	78.37	72.82	53.78	71.52
Japan (470)	151.84	+1.5	144.77	103.47	127.27	103.47	+0.8	0.80	149.57	143.48	102.68	126.92	102.68	151.84	100.75	102.73
Malaysia (69)	343.34	+0.5	327.35	233.95	287.74	338.52	+0.4	2.00	341.57	327.67	234.47	289.80	337.03	343.34	251.56	298.07
Mexico (18)	1493.98	-0.7	1424.41	1018.03	1252.07	5100.42	-0.8	1.33	1503.78	1442.56	1032.31	1275.91	5141.28	1725.81	1410.30	1621.54
Netherland (24)	169.36	+1.7	161.49	115.42	141.95	139.73	+0.6	3.96	166.51	159.73	114.31	141.28	138.98	172.75	150.39	159.96
New Zealand (13)	49.57	-0.5	47.26	33.78	41.55	48.28	-0.2	4.74	49.82	47.79	34.20	42.27	48.35	49.82	40.56	46.80
Norway (22)	158.57	+1.5	151.18	108.05	132.89	147.32	+0.7	1.79	156.18	149.82	107.21	132.51	146.32	166.21	137.71	185.67
Singapore (38)	255.21	+0.4	243.33	173.91	213.89	199.26	+0.5	1.82	254.20	243.85	174.50	215.68	198.25	255.21	207.04	227.77
South Africa (60)	198.67	-0.3	189.42	135.37	166.49	200.72	-0.6	2.50	199.32	191.20	136.82	169.11	201.92	201.01	144.72	249.24
Spain (46)	129.42	+1.5	123.39	88.19	108.46	124.66	+1.6	4.78	127.55	122.35	87.56	108.22	122.71	132.82	116.23	157.58
Sweden (36)	181.56	+1.7	173.13	123.74	152.18	195.22	+0.8	1.73	178.47	171.21	122.52	151.43	193.73	181.59	149.70	194.37
Switzerland (55)	127.40	+2.5	121.47	86.82	106.78	113.54	+0.6	1.91	124.32	119.26	85.35	105.49	112.88	127.40	106.91	105.87
United Kingdom (218)	180.14	+0.8	171.75	122.74	150.96	171.75	+0.2	4.04	178.65	171.38	122.63	151.58	171.38	181.89	162.00	195.93
USA (519)	184.90	-0.2	176.29	126.00	154.96	184.90	-0.2	2.77	185.34	177.79	127.24	157.26	185.34	186.27	175.38	169.85
Europe (765)	147.12	+1.2	140.27	100.25	123.30	133.58	+0.3	3.34	145.32	139.40	99.76	123.30	133.14	148.02	133.92	154.24
Nordic (114)	169.41	+1.4	161.52	115.44	141.98	160.91	+0.4	1.55	167.13	160.33	114.73	141.81	160.26	169.82	142.13	181.85
Pacific Basin (713)	155.70	+1.5	148.45	106.10	130.49	110.18	+0.8	1.07	153.46	147.21	105.35	130.21	109.28	155.70	105.89	109.31
Euro-Pacific (1478)	152.07	+1.4	144.98	103.61	127.44	120.45	+0.6	1.97	150.00	143.90	102.97	127.27	119.89	152.07	117.26	127.50
North America (627)	181.46	-0.2	173.01	123.66	152.10	180.39	-0.2	2.77	181.87	174.47	124.87	154.34	180.81	182.38	171.51	167.13
Europe Ex. UK (547)	126.78	+1.5	120.87	86.40	106.27	112.04	+0.4	2.87	124.88	119.80	85.75	105.98	111.56	128.65	112.51	129.47
Pacific Ex. Japan (243)	194.06	+1.1	185.04	132.27	162.67	177.84	+1.3	3.08	192.00	184.19	131.83	162.93	175.61	194.08	152.70	174.15
World Ex. US (1664)	152.58	+1.3	145.48	103.98	127.88	122.52	+0.6	2.00	150.64	144.50	103.42	127.82	121.81	152.58	118.51	129.79
World Ex. UK (1965)	160.67	+0.7	153.19	109.49	134.67	138.73	+0.3	2.11	159.57	153.07	109.55	135.40	138.35	160.07	134.22	137.26
World Ex. So. Af. (2123)	162.25	+0.7	154.70	110.57	135.99	141.30	+0.3	2.29	161.10	154.55	110.60	136.70	140.91	162.25	137.29	141.61
World Ex. Japan (1713)	169.94	+0.3	162.03	115.81	142.45	162.89	+0.0	2.97	169.37	162.48	116.28	143.73	162.82	169.94	157.47	164.51
The World Index (2183)	162.39	+0.7	154.83	110.66	136.11	141.61	+0.3	2.29	161.26	154.69	110.70	136.83	141.43	162.39	137.32	142.32

Constituent change with effect 1/6/93: Addition: Zeneca (UK). Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17½xd	–7/16	20 7/16	15 13/16	14,649	2.4
Allegheny & W	♥	558p	—	605p	398p	[illegible]	[illegible]
Amdahl		352p	+4	591p	302½p	395.3	0.9
Amer Cyanamid		33⅛	—	39⅜	31¼	2,988	3.1
Amer Express		18⅝xd	—	19½	14⅝	8,873	3.4
Amer T & T		39⅝xd	–½	40⅞	33⅛	52,887	2.1
Ameritech		46½	—	52¾	48	20,359	5.0
BankAmerica		28¾xd	–⅛	38⅛	27½	10,022	3.1
Bankers NY		48⅝xd	+⅛	51⅞	42⅝	3,742	4.2
Bell Atlantic		35	+⅛	39⅛	32¼	16,151	4.8
BellSouth		33⅜	–⅛	38⅞	32⅞	16,487	5.3
Bethlehem Steel	♥	13xd	+1/16	13¾	10	1,178	–
Bowater		1385pxd	–7	1662p	1335p	501.9	1.8
CPC		27½xd	–3/16	34⅝	28	4,212	2.9
Cadiz Land Inc	♥	124p	+11	124p	53p	–	–
California Engy		1388p	—	1479p	1088p	247.2	–
Chase Manhattan		19¾xd	–13/16	24½	17⅞	3,082	3.9
Chrysler		28½xd	–⅛	28⅞	21⅛	8,345	1.3
Citicorp		19⅛xd	–3/16	20 7/16	13 7/16	6,825	–
Colgate-Palm		38xd	–⅛	45⅝	35¾	6,087	2.1
Cont'l Bank		1537p	+8	1677p	1278p	1,553	2.5
Dana		33⅞xd	–⅛	34⅞	29 13/16	1,535	3.0
Data General		729p	+9	851p	593p	201.2	–
Decora Inds.	♥	124p	+2	146p	109p	–	–
Dun & Brad		38	–13/16	42⅝	37⅛	6,773	4.1
Eaton		57	+⅛	59⅝	50⅝	1,876	2.4
Echlin		16⅞xd	–⅛	18⅝	15¼	867.2	2.6
FPL		24⅜xd	–3/16	27⅝	23¼	4,382	6.5
Ford Motor		33¾xd	–3/16	36⅞	28 7/16	16,473	1.9
Gen Elect		60⅞xd	+15/16	62 3/16	53⅝	51,616	2.6
General Host	♥	585p	–5	723p	586p	–	3.8
Gillette		33⅛xd	+1/16	42⅝	31½	7,378	1.6
Hasbro		20⅝	—	20⅝	20⅝	1,819	0.7
Honeywell		24⅜xd	+7/16	24⅝	20 13/16	3,331	2.3
Houston Inds		28½	–⅛	33¼	28⅛	3,661	6.6
Ingersoll-Rand		22⅜xd	—	25	19⅝	2,311	2.0
Lockheed		38½	–1	42⅝	35⅛	2,392	3.5
Lowe's	h	2428p	+56	2428p	1573p	1,770	0.7
Merrill Lynch		49⅛xd	—	50 13/16	37	5,848	1.5
Morgan (JP)		43½xd	–⅜	48½	38⅛	8,335	3.5
Morris (Philip)		32½xd	–⅜	52⅝	29 13/16	28,895	5.1
NYNEX		53⅛	+⅜	64⅛	52¼	10,972	5.5
Pall		12⅜xd	–⅛	15	11	1,433	1.6
Pennzoil		41¾xd	+⅛	43⅝	31 13/16	1,885	4.6
Quaker Oats		47¼xd	–½	48⅛	38⅞	3,407	2.6
Rockwell		20⅛xd	–3/16	22 13/16	18 3/16	4,413	3.1
Rep NY		31 13/16xd	—	37 7/16	29⅛	1,671	2.1
Sears, Roebuck		35⅛xd	+⅛	37⅞	28⅞	12,171	2.9
Sthwestern Bell	h	24⅛xc	+3/16	28¼	23⅛	14,618	3.8
Sun Co		16⅛xd	–¼	21⅛	14⅜	1,713	7.0
Tenneco		31⅞xd	+13/16	33½	25½	5,320	3.2
Texaco		41⅞xd	+⅜	44¼	37⅝	10,721	4.9
Time Warner	h	23 13/16xd	–13/16	25⅞	18⅝	6,883	0.7
Unilab	♥	400p	–13	450p	358p	182.1	–
US West		27¼	–⅛	30⅛	24⅞	11,294	4.9
Varity		2146p	+42	2280p	1626p	649.9	–
For Waste Mngmt see WMX Technologies							
WMX Technologies		22	–1/16	27 3/16	19¾	10,757	1.7
Whirlpool		3529pxd	–110	3728p	2624p	2,482	2.2
Woolworth	♥	18⅛	+⅛	21½	18⅛	2,468	3.8

CANADIANS

	Notes	Price £	+ or –	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbot Energy	♥	2p	—	2p	2p	–	–
Amer Barrick		1438p	+10	1543p	880½p	4,071	0.6
Bk Montreal	h	13⅛	–⅛	13½	11⅛	3,256	4.3
Bk Nova Scot		1288p	–38	1426p	1111p	2,674	4.3
BC Gas	♥	781p	–18	847p	723p	–	4.0
BCE		22⅛	–⅛	28⅝	20⅝	6,615	6.9
Brascan	♥	575p	–27	721p	454p	474.2	9.6
Brookfield	♥	13½p	–1	16½p	10p	8.67	–
Can Imp Bk		1580p	+22	1618p	1228p	2,943	4.2
Can Pacific		1054p	–29	1085p	810p	1,362	1.8
[illegible]							

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

TELEPHONE NETWORKS

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's	P/E
BT		422	+½	445½	376	26,104	4.7	20.8
Cable & Wire	†	738	-10	760	669	7,969	2.3	22.6
7pc Cv Ln '08		£182	—	£189½	£165	570.1	3.8	-
GN Gt Nordic		£39⅛	—	£39½	£31⅞	134.3	2.7	-
Nth Telecom S		£23⅛	-⅛	£31¼	£21⅞	5,718	1.0	-
Securicor		938	—	999	917	38.8	0.4	35.4
A N/V		599	+3	598	582	494.6	0.5	22.8
Security Servs		494	+4	505	465	541.5	1.3	24.4
Vodafone	†	429	-2	434	[illegible]	[illegible]	1.7	21.0

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

STORES

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted [illegible] distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
▪ Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
Φ Figures or report awaited
Not officially UK listed; dealings permitted under rule 535(4)(a)
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FINANCIAL TIMES
Weekend May 29/May 30 1993

Walesa given initiative as Polish coalition falls

By Anthony Robinson and Christopher Bobinski in Warsaw

POLAND'S President Lech Walesa yesterday began the search for a new government after the country was plunged into renewed political uncertainty by the surprise one-vote defeat of the coalition headed by Ms Hanna Suchocka.

Ms Suchocka, Poland's fifth prime minister since the end of communist rule in 1989, handed her government's resignation to Mr Walesa after losing the no-confidence vote called by the Solidarity trade union group. Her defeat comes just as the economy is showing signs of growth.

However, ministers leaving an emergency cabinet session after the vote said Mr Walesa had refused to accept Ms Suchocka's resignation.

The initiative now passes to Mr Walesa under the terms of the Polish constitution. This permits him to ask Ms Suchocka or another politician of his choice to try to form a new government, or to dissolve parliament and call new elections. The constitution also empowers him to form his own presidential government if other options fail. Mr Walesa did not disclose his intentions after the vote but issued a statement saying he would fulfil his constitutional role.

Mr Bronislaw Geremek, parliamentary leader of Ms Suchocka's Democratic Union party, said: "I expect early elections, the date of which will be set by the president." Mr Geremek has been leading efforts to broaden the base of the coalition. The initial seven-party coalition was formed in July last year. One coalition partner, the small PL peasants party, dropped out last month.

The government never enjoyed a clear majority in the 460-seat Sejm, the lower house of parliament. The coalition could only count on 186 votes and always had to rely on opposition abstentions or the external support of the smaller non-governmental parties to govern.

Yesterday a handful of government supporters, including Mr Zbigniew Dyka, the recently sacked minister of justice, failed to cast their votes, allowing the no-confidence motion to attain half the votes cast plus one, which it needed to be passed.

Those who supported the no-confidence vote, including the former communists who had earlier sought a deal which would have allowed them to abstain, obtained 223 votes, against 198 for the government. There were 24 abstentions, in effect counted as votes for the government.

The Solidarity union called the vote in protest at the government's refusal to amend the budget to provide higher pay for teachers, nurses and other public servants whose living standards have fallen due to the government's tight fiscal policy.

The government is restrained by its agreement with the International Monetary Fund from raising the budget deficit beyond a ceiling equal to 5.5 per cent of GDP. Keeping within this target is also required if Poland is to complete negotiations for a 50 per cent reduction in its $12.1bn (£7.8bn) debt to the London Club of commercial bank creditors.

Poised for recovery, Page 9

Fury as Germany ends east's abortion on demand

By Judy Dempsey in Berlin

THE GERMAN constitutional court yesterday scrapped eastern Germany's liberal abortion law, prompting the fury of women's groups and opposition politicians in the east and the west.

Ms Renate Hildebrandt, labour minister of the eastern state of Brandenburg, said: "This is a catastrophe. It is just impossible at the end of the 20th century."

In eastern Germany, a 1972 law permitted free abortion on demand up to the 12th week of pregnancy.

The court of seven men and one woman also declared unconstitutional a compromise law passed last year to unify abortion regulations in the western and eastern states. The court decided that abortion was no longer a criminal offence but declared that it would be subject to restrictions throughout Germany and that state funding for abortions would no longer be available.

The court's six-to-two ruling, aimed at protecting the rights of the unborn child as required under the constitution, was welcomed by Chancellor Helmut Kohl and by the Roman Catholic church.

In 1991, eastern German women had 32 abortions per 100 live births, compared with western Germany's nine abortions per 100 births. Tighter restrictions will also mean that women, who make up 65 per cent of the unemployed in eastern Germany, will not be able to afford abortions.

"Whoever has money can afford an abortion. Whoever doesn't will have to return to back-alley butchers," said Ms Heidemarie Wieczorek Zeul, a senior member of the SPD.

Women's groups were last night planning to protest against the court's ruling by holding demonstrations in Berlin and other cities throughout Germany.

The court's decision highlights the difficulty in reconciling two diametrically opposed views on abortion, and the wider difficulties of integrating east and west at the social level.

In 1976 the Bonn government passed a law permitting abortion up to 12 weeks, provided a woman met certain social and psychological requirements and received medical advice.

As a result, only two-fifths of abortions for west German women complied with the legal requirements. The remainder were carried out privately or took place outside the country.

East German women perceived their legal rights not as an ethical issue, but as one that gave them the freedom to make decisions outside state interference.

Labour leader faces defeat on one member one vote plan

By Robert Taylor, Labour Correspondent

MR JOHN Smith, the Labour leader, faces the prospect of defeat at the autumn party conference over his plan to introduce one member one vote for the selection of Labour parliamentary candidates after another normally moderate union rejected the proposal yesterday.

Delegates at the Union of Communication Workers conference voted against plans that weakened or removed the union's voting strength in selecting Labour candidates and electing the party leader and deputy leader. Before the last election unions accounted for 40 per cent of the vote in the selection process.

Mr Smith has turned one member one vote into a test of his own political credibility but the only big union so far prepared to back him over the issue is the AEEU engineering union. Seven of the top eight unions affiliated to the Labour party are opposed to his plan.

Efforts may have to be made to compromise on the issue but any climbdown by Mr Smith would deal a severe blow to his position at a time when he needs to reassert his authority in the party.

Early last week delegates at the conference of MSF – the professional and technicians union – also rejected the advice of their leaders and voted to oppose one member one vote despite a strong speech from Mr Smith.

The Labour leader had hoped to win wider support inside the unions by his recent suggestion that union political levy payers should be entitled to cut-price membership of the party to participate in candidate selections.

But his idea has so far failed to impress union leaders who want to uphold union organisational links with Labour at local level.

Over the past few weeks Mr Smith has made it clear that he wants to maintain close ties with the trade unions which he believes are valuable in keeping Labour in touch with industrial realities. But at the same time he believes it is in the interest of unions that they do not play a dominant role in selection.

In a speech on Thursday, Mr John Edmonds, general secretary of the GMB general union, rejected one member one vote but proposed instead the unions should ballot among their 4m political levy-paying members on selecting Labour candidates.

"Local union members, living in the constituency and paying the political levy, could cast individual votes amounting to no more than a third of the total", explained Mr Edmonds. "This system would significantly broaden the electoral base of selected candidates".

Supporters of one member one vote point out that Mr Smith does not need to win a majority of union votes at conference to secure that objective.

Fresh doubts emerge over US recovery

Continued from Page 1

the economy was likely to grow at an annual rate of about 1.5 per cent in the current quarter. "My big concern is the surge in imports which should not be happening when our currency and cost structure is competitive".

The weak growth figures follow reports of a sharp drop in consumer confidence this month and flat industrial orders in April. The figures make a tightening of monetary policy by the Federal Reserve improbable in the near future in spite of an upward blip in consumer and producer prices.

The Fed intervened in foreign exchange markets again yesterday to try to slow the yen's rise. But by midday the dollar had slipped to Y107.30 against an opening of Y107.55.

Major promises to keep economic policy unchanged

Continued from Page 1

seek revenge. Mr Michael Howard, the new home secretary, predicted that the reshuffle "will be seen as a turning point in the government".

But Mr Edward Leigh – a Euro-sceptic sacked as a junior industry minister on Thursday – predicted that Mr Lamont might "argue his corner very forcefully from the back benches".

For Labour, Mr Gordon Brown, shadow chancellor, said voters wanted "not just new personalities but a clear rejection of past mistakes and an embrace of an entirely new economic agenda".

In Paris, the reshuffle's aftermath overshadowed Mr Major's talks with French ministers yesterday. The prime minister seemed relatively relaxed, though, as he said Britain's policy on the European exchange rate mechanism would not be affected by the pro-European Mr Kenneth Clarke's appointment as chancellor.

With right-wing Conservative MPs fearing that Mr Clarke will lobby hard for early British membership, Mr Major emphasised: "The circumstances for Britain to re-enter the ERM do not exist at the moment . . . and are unlikely to do so in the near future."

Echoing the public sympathy for Mr Lamont of cabinet ministers – many of whom had been privately urging his replacement as chancellor – the prime minister paid tribute to his former colleague and campaign manager in the Tory leadership election.

"We've always worked closely together. We've shared the same policies, the same hopes, the same dreams about getting inflation down," Mr Major said.

The former chancellor, he said, had taken much criticism and had borne it bravely. Mr Major understood the hurt Mr Lamont felt. "Even politicians are human," he commented.

The reshuffle had been needed, he insisted, to bring new talent into the government and to enable existing ministers to broaden their experience. It had been right to make the changes now so that the new chancellor could begin work on the next Budget, the first to combine tax and spending proposals.

Sterling lost three pfennigs against the D-Mark yesterday, closing at DM2.4775.

Its weakness was mainly due to the intrinsic strength of the D-Mark, following hawkish comments on German rate cuts from Bundesbank council members. But dealers said that the pound was undermined by uncertainty over the direction economic policy will take under the new chancellor, Mr Kenneth Clarke.

Speculation that Mr Clarke might lean towards cutting interest rates brought UK gilt prices down a full percentage point. The FT-SE 100 index of leading industrial shares closed 14.6 points down at 2,840.7. Bundesbank resistance, Page 2; City unsure, Page 7; Currencies, Page 13; London stocks, Page 15; See Lex

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (DM)			
Rises			
Industrie Werk	307	+	7
Mercedes Hld	588	+	9.5
VEW	279	+	12
Falls			
GEHE	340	-	16
Porsche	475	-	19
Veba	373.5	-	17.3
New York ($)			
Rises			
Jenny Craig	16¼	+	1⅛
Falls			
Bethlehem Stl	19	-	1¼
Chevron	87⅛	-	1⅜
Delta Airlines	57¼	-	1⅛
Natl Steel	18	-	1⅛
USX	42⅜	-	3
New York prices at 12.30pm			
Paris (FFr)			
Rises			
Taittinger	2030	+	45
Falls			
Axa	1250	-	32
Cap Gemini S	188.1	-	6.6
Club Mediterr	354.1	-	12.3
Michelin B	137.6	-	8.4
Schneider	852	-	23
Tokyo (Yen)			
Rises			
Arabian Oil	6290	+	340
Calsonic	635	+	45
Hitachi Sales	920	+	45
Tomen Electron	892	+	100
Falls			
Nissin Elect	1100	-	70
Sanko Metal	1280	-	200
London (Pence)			
Rises			
Amersham	705	+	17
Bluebird Toys	283	+	13
Cheam Grp A	306	+	50
Cliff Res	41	+	3½
Corporate Svs	23	+	4½
Dobson Park	70	+	4
Johnston Grp	165	+	13
Kelt Energy	45	+	5
Lex Service	341	+	11
Pillarcroft	280	+	16
Reed Exec	93	+	7
Sanderson ME	130	+	10
Sheffield Ins	195	+	7
Warburg (SG)	734	+	17
Waverley Ming	31½	+	5½
Wood (SW)	79	+	4
Falls			
Berkeley	388	-	15
Cupid	27	-	6
Hartstone	34	-	57
Holmes Protect	51	-	9
Reuters	1348	-	25
Wellcome	771	-	23

World Weather

UK Today: A dry start over many regions, with some sunny intervals, but cloud and rain will soon move into the south-west and spread to the rest of Britain by evening. There will be some heavy bursts of rain in the north-west and over Scotland.

		°C	°F																
				Cairo	S	29	84	Inverness	S	11	52	Milan	F	26	79	Salzburg	F	16	61
Ajaccio	S	24	75	Cape Town	C	16	61	Isle of Man	C	10	50	Montreal †	S	11	52	S'Francisco †	S	13	55
Algiers	F	24	75	Cardiff	R	15	59	Istanbul	S	25	77	Moscow	F	12	54	Seoul	S	27	81
Amsterdam	C	12	54	Chicago †	F	19	66	Jersey	S	17	63	Munich	F	20	68	Singapore	F	30	86
Athens	S	25	77	Cologne	R	15	59	Johannesburg	S	16	61	Nairobi	F	25	77	Stockholm	F	11	52
Bahrain	S	35	95	Copenhagen	R	13	55	Las Palmas	S	22	72	Naples	F	28	82	Strasbourg	F	19	66
Barcelona	S	21	70	Corfu	S	26	79	Leeds	R	9	48	Nassau	-	-	-	Sydney	C	18	64
Beijing	S	35	95	Dallas †	R	21	70	Lisbon	F	19	66	Newcastle	C	9	48	Tangier	F	20	68
Belfast	C	12	54	Dublin	F	14	57	Locarno	C	18	64	New Delhi	S	35	95	Tel Aviv	S	26	79
Belgrade	F	27	81	Dubrovnik	S	28	82	London	C	14	57	New York †	F	17	63	Tenerife	S	22	72
Berlin	F	18	64	Edinburgh	S	12	54	Los Angeles †	S	14	57	Nice	S	25	77	Tokyo	F	27	81
Bermuda	F	23	73	Faro	S	19	66	Luxembourg	C	13	55	Nicosia	S	28	82	Toronto †	F	10	50
Birmingham	R	12	54	Florence	F	27	81	Madeira	S	20	68	Oporto	F	17	63	Tunis	S	24	75
Blackpool	C	12	54	Frankfurt	F	19	66	Madrid	F	19	66	Oslo	S	18	64	Valencia	S	26	79
Bombay		-	-	Geneva	C	15	59	Majorca	F	26	79	Paris	C	16	61	Vancouver †	C	14	57
Bordeaux	C	17	63	Gibraltar	S	22	72	Malaga	S	22	72	Perth	R	10	50	Venice	F	27	81
Boulogne	C	14	57	Glasgow	C	13	55	Malta	S	27	81	Prague	F	19	66	Vienna	R	16	61
Bristol	R	14	57	Guernsey	S	15	59	Manchester	C	13	55	Reykjavik	F	5	41	Warsaw	C	14	57
Brussels	C	12	54	Helsinki	S	12	54	Melbourne	S	17	63	Rhodes	S	26	79	Washington †	C	19	66
Budapest	F	26	79	Hong Kong	S	27	81	Mexico City		-	-	Rio de Janeiro		-	-	Wellington		-	-
Buenos Aires		-	-	Innsbruck	F	16	61	Miami †	F	26	79	Rome	F	24	75	Zurich	F	17	63

Temperatures at midday yesterday † Noon GMT temperatures C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

THE LEX COLUMN

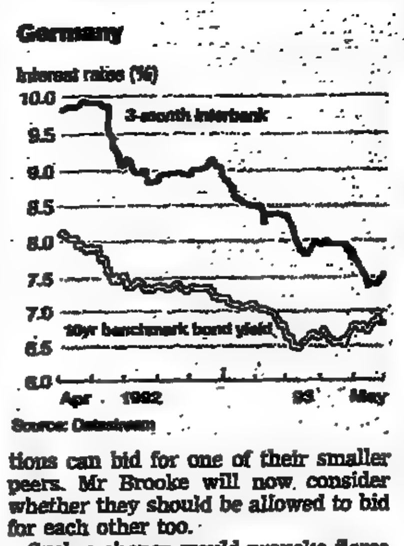
Beyond our Ken

If any soothsayer told Mr Lamont to beware of ex-Cambridge chums wearing suede shoes, the warning came too late. But whatever cheer the sociable Mr Kenneth Clarke's elevation to the Treasury may raise with the beer-and-fags fraternity, it is unlikely to warm hearts much within the City. The whole incident is a mark of the weakness of the Major administration. That is ironic, given that it is barely a year since Britain was hailed in newspapers and City circulars as the sole haven of political stability in Europe.

Given that the change was motivated by psychological perceptions rather than policy differences, it would be unwise to expect rapid changes. The new chancellor might in principle favour slightly lower base rates, but he is unlikely to startle the markets with any early moves. He may wait to see how the recovery develops over the summer, before moving in time for the party conference if the need arises. On spending, the additional political weight Mr Clarke carries may actually enable him to carry through larger cuts in the autumn than the wounded Mr Lamont could have managed.

September will be crucial, with clearer indications on spending, interest rates and first-half corporate results all coming together. Meanwhile, both gilt and equity markets have been left on hold. Lost in yesterday's hoo-ha was the CBI survey which showed output expected to rise strongly in all sectors, particularly exports. The balance of payments crunch may be a little further off than the market thinks.

FT-SE Index: 2840.7 (-14.6)



Source: Datastream

UK television

Mr Peter Brooke's hints of a relaxation of the rules preventing consolidation of the ITV network certainly switched on the stock market. The shares of several TV companies shot ahead after the national heritage secretary's remarks in anticipation of juicy takeovers.

The excitement is premature and might be misplaced. There certainly appears to be a need for industry rationalisation if independent television companies are to remain competitive with cable and satellite rivals. As currently structured, the ITV network wastefully duplicates production facilities and corporate structures. Industry executives suggest there may be up to £200m of "excess" cost in the system. Some rationalisation may occur next year, when any of the big nine stations can bid for one of their smaller peers. Mr Brooke will now consider whether they should be allowed to bid for each other too.

Such a change would provoke fierce opposition from some in the industry. It might also raise problems with the OFT. Would the competition authorities, for example, nod through a merger of Carlton TV and Central if it gave the combined group more than 30 per cent of ITV revenues? ITV companies may argue that the TV advertising market should be more broadly defined. But that sits oddly with their contention that BSkyB is a subscription not an advertising channel.

Currencies

There are two ways of looking at the tension emerging again inside the ERM. One is that the D-Mark has strengthened in sympathy with the yen, thus aggravating the peseta's weakness ahead of the Spanish elections. If this is the whole story, the tension should pass. An opposition victory might force the peseta out of the system. But the yen seems unlikely to strengthen much further without prompting a corrective interest rate cut by the Bank of Japan. The Tokyo authorities must be concerned that pressure on the export industry is reversing recent stock market gains, wiping out the fragile advance in economic confidence. Once the dollar stabilises against the yen, the D-Mark, too, might fall back again, easing broader worries about the ERM.

That overlooks the more sombre aspect behind the D-Mark's movement. Despite the deepening German recession, the Bundesbank remains cautious about cutting rates. Several of its council members pointed yesterday to reservations, for example, about the renewed acceleration of the money supply and the trend in long term interest rates. Their arguments suggest that, far from making alleviation of recession a priority, the Bundesbank may be anxious to ensure the exchange rate remains firm to ward against inflation.

Yesterday's poor French unemployment figures are a reminder of how ill-equipped the rest of Europe is to stand the strain. The peseta may yet struggle through, but its exit from the ERM would be harder to shrug off as a little local difficulty against a background of diminishing market expectations of lower German rates. Some of the remaining survivors would quickly come under threat as well.

Hartstone

Hartstone Group's behaviour is a case study in how not to communicate with shareholders. Despite the Stock Exchange's intervention, shareholders remain ignorant of the causes for its precipitous fall from grace. One has to hope its refusal to explain itself is not an example of how more companies will behave once the new insider trading legislation comes into force.

The hosiery group's profits warning in March, four weeks before its year end, led stockbrokers to reduce their profits forecasts from £36m to £23m. The company, however, reassured with a promise of an increased final dividend. Just two months later, Hartstone has issued an even gloomier warning, suggesting profits may reach only £9m. Ominously, Hartstone revealed it was also in urgent discussions with its bankers and would not pay the dividend after all. Such an extraordinary deterioration requires an explanation.

There is a curious inconsistency compared with Queens Moat which has also kept mum about the reasons for its misfortunes. The Stock Exchange seems content to allow Hartstone to continue trading; Queens Moat is suspended. Arguably suspension simply locks small investors in, but it would help avoid a false market if a way could be found to prise more information out of Hartstone. Another sobering point is that, unlike Spring Ram, Hartstone boasted two heavyweight non-executive directors. Even companies complying with the Cadbury committee strictures are not immune from nasty surprises.

هكذا من الأصل

Weekend FT

Seriously Rich

CONTENTS

Are the rich more trouble than they are worth?

Love them or hate them, we need our millionaires and billionaires. ***John Plender*** *explains why*

FOR THOSE who enjoy a little vulgarity, the behaviour of the rich in the 1990s is a marked disappointment. What a contrast with the 1980s when, in the words of Ronald Reagan's first budget director David Stockman, "the hogs were really feeding." It wasn't just the hogs.

The Trumps were trumping, the Milkens milking, the Goldsmiths greenmailing and Thatcher's entrepreneurial children were jumping joyfully from the play pen. Even at this short distance the 1980s look the finest years for would-be *nouveaux riches* since the forebears of many of today's ducal families grew fat on the dissolution of the monasteries.

The billionaires and millionaires who are making the headlines in the 1990s are a notably more austere bunch. George Soros, the high-minded philosopher-speculator who found the fault lines in the European exchange rate mechanism and recycled the British taxpayer's money to Bosnian Moslems and needy Hungarians; Bill Gates, chairman of Microsoft and richest bachelor in the US, whose recent decision to marry one of his managers shows no sign of transforming him from a computer-world frog into glamour-world prince; David Sainsbury, one-time backer of Britain's Social Democratic Party, charitable donor and eponymous chairman of the food retailing group that remains one of Britain's most remorseless money-making machines. The *tricoteuses* of the French Revolution – who knitted as the tumbrils rolled – would scarcely have known what to make of them.

The new austere tendency, if that is what it is, has nothing to do with any wave of popular feeling against the rich. If anything, the extraordinary feature of the past dozen years has been the lack of any serious backlash on the part of the world's underdogs, despite the failure of First World wealth to trickle to the Third.

Numerous poor countries have suffered a protracted decline in the price of the commodity exports on which their economies depended. And within individual countries, notably in Latin America, the trickle down theory of economics failed to work because so much of the money trickled out in capital flight, as the rich tried to escape the depredations of incompetent or corrupt politicians.

Yet the political response to impoverishment has increasingly been to adopt the prevailing ideology of the developed world: the market. The result in Latin America, once the home of dependency theory and the economics of despair, has been that capital, both native and foreign, has trickled back to finance an unprecedented experiment in liberal economics. Meantime the dragon economies of Asia have reasserted the merits of self-help in spectacular style. Their millionaires are busily exporting a uniquely potent brand of workaholic materialism to the ramshackle economy of China.

In the developed – and more especially the English-speaking – world, the present sober condition of the rich is no more than a natural evolution from the ideological 1980s. The Reagan-Thatcher years delivered lower marginal tax rates, financial liberalisation, balance of payment deficits and buoyant stock markets. For the first time in recent memory the political culture turned pro-business. And in this frothy, consumption-led cycle, the service industries – finance, advertising, entertainment, trophy wives – boomed as never before.

Bejewelled dames apart, these were not commodity-intensive pursuits. And those manufacturing industries that did flourish in the 1980s, such as computing, relied not on expensive commodities like metals, but on a cheap form of sand called silicon. Hence the poor performance of the less developed countries in the prolonged recovery of the 1980s.

But the rich of the developed world are now infected by the curse of the Third World nations: since economic activity was financed in the previous decade by unprecedented resort to borrowing, much of the First World has suffered a debt-induced recession.

The new millionaires have thus been culled not by *sans culottes*, but by the laws of financial gravity; and the extent of their financial and ethical misdeeds, rather than the nature and substance of their particular business, has been the chief determinant of their fate.

Witness how printer and publisher Robert Maxwell, scourge of the widows and orphans, succumbed to the grim reaper; Michael Milken of junk bond fame to the zealous prosecutor; Asil *Nadir* of the fruit-to-fraud conglomerate Polly Peck to the administrative receiver, if not to the courts. Meanwhile, entertainment figures such as Andrew Lloyd Webber, Mick Jagger and Paul McCartney, representatives of one of the frothiest of all service industries, are alive, and well and very rich.

The attrition has been worst in property, an industry that has a peculiar knack of exposing the banking fraternity's propensity for collective aberration. For those of envious disposition, one of the most satisfying falls from grace has been that of US real estate man Donald Trump. He it was who, in a moment of intense hubris, wrote an improving tract called *The Art of the Deal*.

The 1990s demonstrated that the only artistry in his balance sheet was pure *trompe l'oeil*. Others whose art proved similarly insubstantial were the Reichmann brothers of Canada, Godfrey Bradman and Trevor Osborne in the UK and the frenetic Australian entrepreneur Alan Bond.

Bond, like US junk bond financier Michael Milken and arbitrageur Ivan Boesky, found that one of the squares on the Monopoly board said "Go To Jail." Gerald Ronson, the property man jailed for his rôle in the share scandal surrounding the Guinness takeover of Distillers, was another to make that discovery.

Turn to Page III

The Long View/**Barry Riley**

Clarke's big opportunity

WHAT THE UK's ignominious exit from the European exchange rate mechanism last September could not trigger the Newbury by-election apparently could: the sacking of Norman Lamont.

More charitable commentators are blaming Lamont's fall more on poor presentation and unlucky timing than on policy errors, but the fact is that he never properly seized hold of economic strategy. He inherited John Major's blundering entry to the ERM at the wrong rate and at the wrong time and remained too much in the Treasury's grip.

His espousal of ridiculous economic forecasts of recovery became a standing joke. During the 1992 election campaign he acquiesced in the government's cynical, albeit vote-winning, promises of economic growth and continued low taxation; the medium-term Red Book projections of March 1992 were among the more spurious ever. The electorate is now taking its revenge.

Finally, having been forced out of the ERM, Lamont failed to turn policy around and rebalance fiscal and monetary policy to the proper degree. This is how we have wound up with a crazy £50bn public sector borrowing requirement for the current financial year, after the March Budget which was far too hesitant. If only Kenneth Clarke had been given this opportunity last September. At least he has his own first Budget in November rather than next March. In some respects Clarke has been dealt a rotten hand, with big spending cuts and tax increases on the agenda. However, he is in a splendid position to blame much of the coming agony on his predecessor's errors of judgment.

Meanwhile he starts from a position of low inflation, with scope for pushing short-term interest rates lower. A modest economic revival has started, too. So although the economic cards may be of low denomination there could be a few political aces tucked away.

The financial markets have taken Lamont's departure fairly calmly – even casually – although the foreign exchanges are clearly apprehensive that sterling may become vulnerable to changes in policy. One of Lamont's several strategic errors has been once again to swallow Treasury and Bank of England advice and encourage a renewed overvaluation of sterling.

He has been misguidedly promoting an underlying inflation target of no more than 4 per cent which has been seriously inhibiting the restoration of balance within the British economy. To get imports down and exports up, in the context of a serious European recession, sterling weakness must be tolerated. The possibility of a reassessment here is plainly going to cause nervousness, especially as foreigners have been buying gilt-edged again. But financing deficits smoothly must surely take second place to getting the real economy back on an even keel.

Now the estranged Norman Lamont moves to the backbenches. Will he play the malevolent role that Geoffrey Howe performed in the latter days of Margaret Thatcher? And will Kenneth Clarke, the amiable thug, play a kind of Denis Healey part in the crumbling Major administration?

The parallel may be far from strained, because Clarke will be struggling with the same scale of deficits as Healey suffered in the late 1970s, and at much higher real interest rates. It could be tempting for Clarke to engineer the same kind of financial crisis that struck Healey in 1976.

Such turmoil can, of course, be very uncomfortable, and even dangerous, but in a mature democracy there may be no other way of forcing through tough measures. And perhaps Clarke needs the crisis soon, while his own hands seem reasonably clean and Norman Lamont's appear soiled. Another important factor is that Lamont has been carrying out Major's economic wishes, and the prime minister stands to lose reputation should Clarke make a better fist of managing the economy.

Clarke has two basic strategy choices. The markets are assuming he will finance a big deficit for several years, then try to inflate away the accumulated burden of the debt. This seemed to be the only route that Norman Lamont could imagine, given that he was proposing to fund seemingly endless and gaping budget deficits at very high real interest rates.

However, there is little or no domestic private sector inflation being generated in the British economy at present. This is not at all like 1989, when Nigel Lawson was forced out. The banks are battening down the hatches, and pay inflation is 4 per cent and declining. Another possibility thus presents itself, that the new chancellor could seek a way out through an interest rate offensive, unhindered by fears of inflation, at least in the short term. Instead of pushing long bond rates up, as Lamont has been doing recently, there would be a concerted attempt to force down both short and long rates aggressively.

Imagine a serious attack on the fiscal deficit this autumn, along with a sharp cut in short-term interest rates. Sterling would weaken, helping to sustain an export-led recovery. Would the gilt-edged market become alarmed about inflation in the medium term? Maybe, but suppose the supply of gilts were reduced, and suppose short-term rates were low enough, then it might be possible to engineer a buying panic as investors chased a declining supply of paper with a worthwhile yield.

This is not standard Treasury or Bank of England thinking, but Kenneth Clarke has little grounding in establishment thinking on the economy. He may ponder on the fact that of Tory chancellors since 1979 only Howe has retained much of a permanent reputation, and that is because he was prepared to challenge the standard thinking of his time and propose a radical alternative. He was also prepared to tear up an election manifesto and raise taxes.

On the other hand, he never became prime minister.

Seriously Rich

Christina Lamb describes trillionaire life in the country with the biggest gap between rich and poor

Brazil – the beautiful and the damned

BRAZIL is perhaps the only country in the world where the entire working populace are millionaires. Unfortunately, most are also poor. With a million cruzeiros now worth $25, to be seriously rich in Brazil one must have a good few trillion stashed away.

And plenty such people exist. Forget the Brazil of economic crises, growing slums, ailing Indians and $2,000 per capita income. Instead, welcome to the country which is second only to the US in purchase of private jets and where high society is so flourishing that the Association of Columnists boasts more than 500 working members and even the *Journal of Commerce* has a large gossip column.

Wealth is flaunted. At one favourite hangout, Leopoldos, in Sao Paulo, diners watch images of themselves and other customers projected on to a giant videoscreen, enabling close scrutiny of who is wearing what and flirting with whom. In tropical Rio, fur wraps are *de rigueur* for true socialites.

These are the authentic beautiful and the damned. "Beautiful" because in the world capital of plastic surgery, nobody with money is allowed to retain nature's imperfections. Nose jobs, face lifts, bottom tucks, cellulite removal, breast implants – the decision is not if but when the next cut should come. Ivo Pitanguy is Brazil's high priest of plastic surgery; fittingly, he has become a member of the serious rich himself, owning an island south of Rio.

"Damned" because Brazil has the world's biggest income gap between rich and poor – a contrast particularly obvious in Rio, where luxury apartments rub shoulders with sprawling slums. Already the crime rate is so high that even the only-slightly-rich live behind bars protected by armies of security guards and drive bullet-proof cars. Sometimes, sipping cocktails on their penthouse terraces, rich Brazilians look at the lights of the surrounding slums and wonder how long before the masses swarm upon them, demanding justice.

Meantime, they are having a ball. "The Brazilian élite are like a bunch of people having a wild champagne party on a boat which is heading towards the edge of Niagara Falls," says a World Bank official.

The day starts late for Brazil's seriously rich. For the women it begins with exercises or a jog along the beach, followed by a light lunch at a restaurant such as Antiquarius to discuss the events of the previous night. Then it is a trip to the hair salon, perhaps tea at the Copacabana Palace, then home to prepare for a party or dinner at one of Rio's classy French restaurants – Le Bec Fin, Claude Troisgros or Le Meridien. For the younger set, preferred hangouts are Banana café or Gattopardos, followed by dancing at Hippopotamus.

Weekends are spent messing about on boats, jetskis and microlites in the coastal resorts of Angra dos Reis or Buzios, or horse-riding in the mountains of Petropolis. There are also frequent trips to the requisite *fazenda* in the country, and to Miami, New York and Paris where rich Brazilians descend on fashion houses like Chanel and Balenciaga, practising the French that it is so chic to speak at home.

Although Brazil's security problems have caused a few of the rich to flee permanently, most return. According to Jeff Thomas, a leading society writer: "They love to see their names in the papers; abroad, they are not celebrities."

There is nothing like being rich in a developing country. Even the moderately well-off can maintain armies of servants, including white-uniformed nannies to walk the baby and handlers to exercise the dog. And while strict import laws meant that, until recently, some trappings of wealth, such as cell phones and smart cars, were unobtainable, even for the richest, they could *still* live like kings.

Behind the high brick walls surrounding the estate of "Baby" Monteiro de Carvalho, one of Rio's most favoured sons, you encounter mansion after mansion (one for each of his children) on the long drive until finally reaching the colonnaded main house, which is like something out of a de Mille movie.

Brazilian governments have seemed exclusively interested in improving the lot of the rich, preferring to spend money on subsidies and incentives for large industry and agriculture rather than social welfare. Monopolies have been protected, land reform carefully skirted.

The coffee and sugar barons of the past have been replaced by industrialists, media moguls and bankers, the latter scooping profits from the soaring inflation rate. Owners of construction companies have also grown rich from huge development projects at inflated costs which are responsible for much of the Third World's largest foreign debt.

Proving that crime pays in Brazil, the serious rich also include a fair number of organised crime bosses, plus corrupt politicians and officials. Former president Fernando Collor and his frontman, P C Farias, transformed from a used car salesman to a multi-millionaire, have not let disgrace interfere with their lifestyles. Orestes Quercia, who recently resigned as head of Brazil's largest political party, is alleged to have built a fortune of as much as $1bn during stints as governor of Sao Paulo.

In spite of Brazil's social apartheid, the serious rich do not let themselves be troubled by such things as conscience. You will rarely catch the rich wives of Rio dirtying their hands in good works. As one society woman told me: "The poor are always robbing us, my dear, so why should we give them money?"

Games Thyssens play. When exuberant heiress Francesca Thyssen-Bornemisza of the German steel dynasty married Karl Habsburg, heir to the phantom throne of Austria, last year, Francesca's father, Baron Hans Heinrich Thyssen-Bornemisza (known as Heini) dressed himself in a Hollywood-style costume he described as a "hundred-year-old hussar's uniform," *writes Michael Thompson-Noel*. Baron Heini's costume (right) set titled tongues wagging throughout Europe, as did the wedding itself. One magazine reported: "The demise of communism has stirred deposed royal blood all over Europe. And no house waits with more disciplined expectation than the Habsburgs."

Paris / **Alice Rawsthorn**

The franc alone is not enough

THERE are some places where money alone is not enough, and Paris is one. Anyone – well, almost anyone – with a fistful of francs can buy their way into the front row of the Chanel *haute couture* show, the best seat at the Opéra de Bastille, or a candy-coloured villa on Cap Ferrat.

But they need much more than money to join the gilded group of guests *chez* Baronne Marie-Hélène de Rothschild at Hôtel Lambert on the Ile Saint-Louis.

The Rothschild *salon* is the summit of the French social scene. The baronne, aided and abetted by her husband, Baron Guy, patriarch of the banking dynasty, need barely blink at the bills for her Christian Lacroix ballgowns, or for the mink-covered plates that decked the tables of the surrealist ball, her social *coup* in 1972.

But Marie-Hélène de Rothschild has the *élan* to turn her *soirées* into more than just gaudy gatherings of the very, very rich. Her *salon* is modelled on those that Marcel Proust visited in 19th century Paris and on that of Marie-Laure de Noailles in the 1930s, whose artistic protegés, Jean Cocteau and Salvador Dali, mingled with the *crème de la crème* of French society.

The Rothschild guest list is the giveaway. There is old money in Baron Alexis de Redé, who lived in Hôtel Lambert before the Rothschilds, and new money among the baron's fellow bankers. There is also politics in Jacques Chirac, mayor of Paris and prospective French president, alongside Edouard Balladur, the new conservative prime minister who may yet be Chirac's chief challenger for the presidency. And there is culture in Bernard-Henri Lévy, the philosopher, and, before his death, Rudolph Nureyev.

What the guest list says is that the Rothschilds are not only rich, but can hold their own in artistic and political circles too. It speaks volumes about the ambivalent attitude towards wealth in a country like France, where an idiosyncratic blend of Roman Catholic guilt and republican egalitarianism rubs up against the snobbish vestiges of the *ancien régime*.

The French revel in the (very expensive) things that money can buy. It is no coincidence that *le luxe* – the business of selling luxurious goodies like champagne, designer clothes and foie gras – is one of France's most successful export sectors. But the real allure for the French is power. Wealth, even serious wealth, is only respected when, as with the Rothschilds, it is backed by political influence and spent with taste.

The key to the Gallic ambivalence about money lies in the means of acquiring it. It is still possible to inherit wealth in France, but the combination of stiff taxes and strict inheritance law has injected enough egalitarianism into the system so that anyone who is born rich and wants to die rich will almost certainly have to make more money of their own.

The first blow to the French aristocracy was the 1789 revolution, when the estates of all those who were guillotined or who fled the country were confiscated and auctioned off to the bourgeoisie.

Napoleon Bonaparte dealt the decisive blow in 1804 by abolishing primogeniture, the principle whereby fathers can leave their estates to their first-born male heirs. Whereas the British upper classes have handed down fortunes from generation to generation, French estates have been parcelled out among the various legatees.

Expectant heirs now face the additional obstacle of death duties, as Pablo Picasso's family discovered when it was forced to hand over most of his art collection to the state following his death in 1973. There is also the wealth tax, tabled by the socialists, which taxes the very rich not only on their income but on the value of their property.

The French aristocracy may have held on to their titles, and to the ancient *de* prefixes before their names, but they cannot count on inheriting very much money, or on keeping it for very long. The great French fortunes of today belong to bankers and industrialists – the Rothschilds, Schlumbergers, Dassaults and Michelins – who have added to their inheritances.

This notion of the rich justifying their privileges is reinforced by an education system rooted in the *concours*, the competitive examinations that people take to get into the best universities, the Institut d'Etudes Politiques (alias "Science Po") or the Ecole Polytechnique ("X") in Paris, and the élite Ecole Nationale de l'Administration (ENA).

In theory the exams should ensure that the system is egalitarian. In practice the student rolls of Science Po, X and ENA are still dominated by privileged Parisians. Yet the existence of these institutions, all of which are geared towards preparing their alumnae for careers in the public sector, has an important influence over French perceptions of success. This is because the country's brightest brains are trained to run the country as politicians or bureaucrats, not to make money for themselves in the private sector.

Anyone who does become rich in France is invariably apologetic about it. Pierre Bergé, who made one fortune by founding the Yves Saint-Laurent fashion house and another by selling it, prefers to style himself as a failed painter rather than a successful businessman. Bernard Arnault, who battled his way to the top of the LVMH luxury goods group in the 1980s, bills himself as a frustrated concert pianist.

No wonder Baron Guy de Rothschild was swift to reassure *Paris-Match* magazine this month that not only does he not have a chauffeur, but often travels by Metro, although he was rather hazy about the price of Metro tickets. "Between FFr5 FFr7," he surmised. "All I know is that they give you a few coins back each time."

Frankfurt / **David Waller**

A land of millionaires

FORGET TALK of the worst recession since the second world war – Germany and the Germans have never had it so good. For the first time, millions of Germans have been able to spend a peaceful half-century devoting themselves to the task of making money.

Four times during the course of this century the wealth produced by a generation of Germans was wiped out, twice in world wars, twice as a result of inflation. But since 1948, when the introduction of the D-Mark ushered in an era of unprecedented prosperity, there has been no war, and no inflation to speak of.

As a result, Germans are richer than they have ever been, and the wealth built over the past prosperous decades is about to be passed down from one generation to another, intact.

Estimates are that approximately DM2,000bn in assets of one form or another will be passed on in this way by the end of the century.

Some of the inheritors are the old aristocratic families for whom inheritance is no novelty. These include fabulously wealthy grandees such as the Duke of Bavaria, who owns much of the part of southern Germany which bears his name, or the young Prince Thurn und Taxis, whose mother, the redoubtable Princess Gloria, tends a fortune worth DM1bn or more until her son comes of age.

Although Germany is teeming with aristocrats, who disport their ancient titles and stick together socially, most are not seriously rich. They work in the upper echelons of banks in Frankfurt or Munich, dreaming of repossessing old estates in the east of Germany or even further afield, in Bohemia or Silesia.

Germany's real wealth is in industry and commerce, not land. Whole sectors of the economy are owned by a handful of individuals, and generally a much greater share of the German economy is in private hands than in countries such as Japan, the US or UK.

The size of the German economy, still Europe's biggest, means that Germany has thousands of millionaires and hundreds of people who are worth tens, if not hundreds, of millions of Deutsche-Mark.

To stand a chance of being included in the German *Forbes* magazine's list of the 400 richest people in Germany, for example, you have to be worth at least DM190m. According to this list, there are more than 100 German families or individuals worth DM1bn or more, over 40 worth DM2bn-plus, and 10 worth more than DM5bn.

Few of these individuals will be familiar to Anglo-Saxon readers, as Germany's super-rich live calm lives as far from public gaze as possible.

Among the most discreet is the 69-year-old Otto Beisheim, majority owner of the Metro stores group. The last time he appeared to explain his business strategy was shortly after it was founded 28 years ago. Metro, with sales of around DM60bn, is one of the world's biggest retailers, and Beisheim's stake is worth an incalculable number of billions. Long ago he moved to Switzerland, for tax reasons.

Equally discreet are the four members of the Haub family who own Tengelmann, a retail group with sales of nearly DM50bn, which is Germany's eighth biggest non-financial company.

Perhaps the Haniel family is the richest of all, but their fortune, worth in the region of DM10bn according to *Forbes*, is divided between several hundred descendants of Franz Haniel. Other rich families include the Oetkers, owners of the food manufacturing group of that name, the Oppenheims, owners of the Sal Oppenheim private banking empire, the Henkels and the Boehringers, who own two of Germany's larger chemicals companies, and the Merck family, which owns the large pharmaceuticals company of that name.

For the Porsche family, the difficulties currently being experienced by the sports car company of that name are not unduly worrying; the family's business interests extend beyond car manufacturing and they own one of the biggest companies in Austria.

The Quandt family owns the majority of the shares – perhaps two-thirds – in BMW, the most resilient of German car manufacturers amid difficult market conditions.

These families – and a few more – are Germany's super-rich. Slightly less prosperous are those who are merely extremely rich – people like Hans Peter Stihl, chairman of the German industrial association, who controls one of the world's largest manufacturers of electric saws.

But the core of German wealth lies with those who are rich on a more modest scale. The German arm of 3i, the UK venture capital group, calculates that there are 15,000 companies in Germany with a turnover of between DM20m to DM200m, all but a handful of which are privately owned.

These companies form the fabled "Mittelstand," the medium-sized privately-owned companies which form the backbone of the economy and are largely responsible for Germany's post-war success.

The recession means that some families are experiencing an acute sense of diminishing wealth. But only in rare cases is the wealth being wiped out altogether. For all its present difficulties, Germany remains a land of millionaires.

Tokyo / **Robert Thomson**

Neat and discreet

AS THE vibrating barber's chair was tilted back, the obviously wealthy executive snored gently.

The self-consciously élite barber, near the Imperial Hotel in central Tokyo, does not bother to post his prices on a board. It is a system much like that of the better class of Japanese bar.

Mama-san decides when you walk in how much you will pay. On the way out, the price is ornately scribbled on a slip of paper. Depending on the amount, it is either an invitation to return or an expensive warning that this classy establishment is not for the likes of you.

Riches are meant to be enjoyed discreetly in Japan. It is the gangster who buys a large white Cadillac with tinted back windows and it is the upstart property developer who boasts an over-powered speed boat.

The truly rich person prefers to indulge behind the drawn screens of a *ryotei*, where the watered-down whiskies come in monogrammed glasses and the services rendered are less important than the promise of prestige.

Feeling rich, and doing it with dignity, is more important in Japan that possessing a pile of large denomination notes.

The yen of the seemingly wealthy is often that of the expense account; collateralised assets are sometimes no more than a small patch of undeveloped dirt in a strategic Toyko location.

Land buys money in Japan. Taikichiro Mori, the recently deceased tycoon who headed *Forbes* magazine's list of the world's richest business people, was the wealthiest of all because he had the most land.

Mori, worth an estimated $13bn, owned 82 buildings through his private company, Mori Building, which remade a district in central Tokyo. Mori and the like-minded founders of Honda Motor and Matsushita Electric combined an apparent disdain for riches with a remarkable ability to create and accumulate wealth.

Given that their wealth was made during the decades of post-war reconstruction, it is not surprising that this generation, which prided itself on "making things," should be aghast at the instant wealth frothed-up during the bubble years of the late 1980s, when stock prices seemingly defied gravity.

In his memoirs, a conscious-stricken Mori told of early discomfort at receiving rental and interest payments: "I became sceptical about receiving unearned income from the renting business."

That was not the case with Yasumichi Morishita, a financier and stock speculator, famed for his purchases of impressionist art during the bubble era, when Japanese imports of art topped Y15bn (£88.23m) a year. In the years since, art imports have fallen 80 per cent and Morishita's small network of companies has gone bust.

Not only the shady Morishita liked the idea of sophistication. Men and women of lesser means bought golf club memberships during the late 1980s in the hope of feeling rich, and with an eye to reselling the certificates at a profit. But clubs which promised the most prestige have brought the greatest disappointment.

The Gentry Hills Golf Club has collapsed, membership prices at the Classic Golf Club have fallen 78 per cent, and the Gatsby Golf Club issued 15 times more memberships than promised, meaning that the certificates were devalued and the fairways very crowded.

The bubble may have burst, and the old industrial class may be chuckling, but the fondness for prestige has not diminished. Even if golf club memberships remains out of reach, there is still Gatsby hair mousse or gel, advertised in gawky English as "highly valuable cosmetic." Brand names are still an important accessory for the wealthy.

La Tour d'Argent, which prides itself on being the country's most expensive French restaurant, says the collapse of stock prices has yet to dull the pampered palate.

Business entertaining accounts for about 30 per cent of its trade and "common people can't really afford to have dinner here" anyway.

The bill would be no trouble for Hiromasa Ezoe, the founder of Recruit, a business information company at the centre of a stocks-for-favours political scandal in 1989. Ezoe, who goes to court once a week for ongoing hearings, topped the list of Japan's taxpayers last year, paying Y3.96bn after confessing to making a large profit on a share deal.

Now that he has lost control of Recruit and has the prospect of a jail sentence to concentrate his mind, a more contemplative Ezoe has concluded that "joy exists in the process of gaining assets, not in the assets themselves."

Seriously Rich

Where have all the playboys gone?

Dear Giovanni or Alphonso – please call me soon, writes **Camilla Salmon**

TIME WAS when a girl could have fun. But take this sad tale from my diary of early this week. The scene: an intimate table at a smart Chelsea restaurant. The characters: one footloose brunette (me) and one renowned playboy (my date).

Enter the opposition. "Darling, how lovely to see you," trills a bronzed blonde, draping her limbs over Freddie. "How come you never call me these days? We must meet up." Freddie smiles weakly. I scowl.

It never used to be like this. You had Freddie for the evening. He lived only for you. Now, a sighting of this dreamy dish is as rare as caviar on a City bagel. And everyone wants a bite.

They are welcome to it. He is droning on about the exams he is taking, the diet he is on and, worse, his latest girlfriend, in whose honour he is considering hanging up his prophylactic. (She is seriously rich). Each diary page reads the same. Freddie, Charlie, Hugo, James and Johnnie are otherwise engaged. Are playboys growing up, or what?

I turn to my old friend Hannah – a Punjabi princess whose vowels make an Etonian sound like a taxi driver – for advice. She used to date "Bungalow" Bill Wiggins, Joan Collins' walker, and has been wooed by cricketer Imran Khan as well as by the Duchess of York's duo, Steve Wyatt and John Bryant. Hannah should know.

"If you are really that desperate, the only place you will find one nowadays is an escort agency," Hannah tells me. But even Sabre and Bearskin, a new company of former guards officers which specialises in supplying companions for women in need, does not answer its telephone to me.

Five years ago, you could not go to nightclubs like Annabels or Tramp without tripping over a playboy waving a deck of gold cards and offering a dream of an evening. "They would take you to some nice restaurant," says Hannah. "Nowhere particularly expensive, as they knew the food would be wasted on you because either you were dieting or too in love to eat." Today, all you find is *Sunday Times* editor Andrew Neil, Italians, aged businessmen muttering about the £200 bill, and wealthy tourists.

What has gone wrong? Where are the playboys?

Hannah again: "It is no longer fashionable to be flashy and the recession has forced many to marry. Besides, to be a playboy you need a plaything, and so many girls are now going off and getting proper jobs that they can no longer say 'Yes, I'll come to Monte Carlo with you' at the drop of a hat. Look at Serena Stanhope, Viscount Linley's fiancée. She is still going to carry on working at Armani even though she clearly does not need to."

The 1980s bred playboys as fast as the 1990s have killed off estate agents. Rupert Deen was a case in point. He inherited a shipping fortune and lived for the sporting and social seasons. His butler wore leather jackets, and he had girls posted to his house in the country by chauffeur-driven car.

Rupert was last sighted shopping forlornly for sausages in Safeways. His only hope is to find a rich woman and marry her. Loyal friends are reputed to have clubbed together to finance a £20,000 bet to encourage him.

Those who are still in pocket have a more sober lifestyle. They have become serious about money, fret if they miss an appointment at the gym and are horribly likely to choose water when buying you an aperitif. Casinos are visited once a week and nightclubs once a fortnight.

One socialite tells me: "If I told you the names of any of the young playboys on the scene, they would mean nothing to you. They are all foreigners, and unexciting ones at that – the odd Swiss banker, a French art dealer. It is much more amusing to listen to retired playboys. They may wear toupees and be draped with an anaconda, but at least they tell stories of the real high life."

As for me, I have scratched all the Anglo-Saxon boys from my list. Giovanni, Massimo and Alphonso – I am painting my nails and waiting for you to call.

Truth of the Matter

Wealth that's simply gross

"MONEY IS THE root of all evil." Wrong. What Paul wrote was: "The love of money is the root of all evil."

ARISTOTLE had said much the same three centuries before. The Christian church has had its ecclesiastical knickers in a twist on the subject for centuries since.

Only in the past 50 years have Christian academics taken up economics and attempted to bring some intellectual and moral order to the hubbub. And it is only in the past decade that anyone has had the effrontery to take Adam Smith at his word and proclaim from the rooftops that greed is a social virtue as the only plausible engine for economic growth.

Odd, isn't it, that only the well-to-do really like this argument? Recently, I sat next to the assistant editor of a national newspaper who was preaching fervently this gospel of the higher selfishness. I found myself a lone voice pleading for the outworn shibboleths of Christian ethics. "Positively Gothic!" murmured one recent and portly convert to the economic enlightenment. Well, as custodian of the finest Gothic cathedral in the land, I might as well be hanged for a sheep as a lamb.

There are two levels of moral discourse about wealth: social and personal. Wealth, in the sense of resources for living a full life, must be good. Wealth creation is a *good thing*. An impoverished society deprives its members of the resources to fulfil their potential. They grow up physically, intellectually and spiritually stunted.

But all societies exist in a wider social context. Wealthy communities live in or alongside poor ones. Sometimes, the contrast is grotesque. Do the former have any moral responsibility for the latter? My journalist neighbour denied it. The economic machine is driven by the visible threat of poverty as much as by the lure of wealth. Some trickle-down might occur fortuitously (huh!) but no welfare programmes, please. Leave that to the do-gooders. And the same goes for international affairs. Let the market do its own thing. The hidden hand will work for the optimum benefit for the maximum number of people. Hard cheese for the poor. Or no cheese. I passed him the Stilton.

I find in myself a deep moral revulsion against that view. Of course, concern for the poor – native human compassion – is not confined to the Judaeo-Christian tradition. In Rabbinic law, bystanders are guilty if they do not intervene to prevent an injustice. It is a central religious issue. The rich have a moral obligation to the poor equivalent to the moral responsibility of parents for their own children. It is not just philanthropy, an optional extra for really nice guys. It is part of the core curriculum.

Wealth, serious wealth – no, let us call it by its name, gross wealth – in the hands of a few individuals or a small class distorts the fabric of society. It gives huge, unfettered and often invisible power to people – such as Robert Maxwell – who are not accountable to anyone. It subverts the democratic process and is often above the law.

The existence of gross affluence and abject poverty in the same community is outrageous morally and a symptom of a profound social malaise which affects the relationships of almost everyone. It destabilises the community and instigates violence.

If I am at the beck and call of an acquisitive instinct – greed – I cannot at the same time respond to a generous urge which would rather see someone else profit than myself; or to that warm-heartedness which is interested genuinely in people as people, rather than what they are.

In my experience the very wealthy often endure a kind of loneliness which is crowded but cold. Nevertheless, it seems that unequal degrees of wealth and a keen ambition to acquire it are now an inescapable pre-condition of economic growth.

Even moderate wealth seems often to produce a coarsening of moral sensibility. As a parish priest, I have had access to the personal lives of some of the most impoverished of our fellow citizens, and have dined at the tables of some of the richest. Among the latter, I often feel in myself a kind of generalised moral unease. Kindly, witty and urbane, they are insulated from the pain and vulnerability of the bulk of humanity.

They evince a moral numbness. The wealthy, particularly, cannot bear very much human reality. It questions the moral foundation of their personal lives. It is much more comfortable to turn greed into a virtue.

I was so challenged by a visitor from the Sudan who was offered supper by his hostess, having previously been entertained to a substantial lunch. He shook his head in surprise. "Oh, no, thank you. You see, we only eat every other day." A vigorous, good and happy man.

Hugh Dickenson

The writer is Dean of Salisbury

How to keep your fortune

Peter Knight has some tips on warding off villains

SWOP THE Patek Philippe for a Swatch, trade in the Rolls for a Mondeo (no personal number-plates allowed), go ex-directory, jettison your British Airways Executive Club gold card and become irregular in your habits. Above all, try hard to be dull.

Being dull is the safest and cheapest way for the super-rich to stay alive and keep their families and fortunes intact. Conforming to common-sense rules reduces the risks posed by those who have plunder on their minds.

"Criminals are like jays. They are attracted to things that are bright," says Simon Adamsdale, a director of security experts Control Risks. "To reduce the risk you have to keep a low profile because that is a denial of information to the criminal."

Staying safe is all about managing risk, which is mostly about the control of information. Robbers, kidnappers and other horrible people want to know as much as possible about their target, to reduce the risk of being caught. Denying villains this information will make their task more difficult and could encourage them to look elsewhere.

"The whole principle is to avoid a situation in which you are threatened. Once you are surrounded by armed people or very fit young men, for example, you have little chance of escape. The key is to stay alert and avoid the situation if possible," says Adamsdale.

To stay out of trouble, Control Risks recommends adopting five common-sense principles:

■ Be aware of the risks. Learn how to detect suspicious signs. Find out, for example, where the dangers lie when travelling abroad. Know when it is wise to cross to the other side of the street rather than risk being confronted by a suspicious character.
■ Maintain a low profile. Keep out of the society pages, go ex-directory, get an ordinary-looking car, live in a modest house.
■ Be erratic. Make sure that your routine does not become too predictable – make it difficult for the jays to swoop.
■ Equip yourself with good communications that enable you to call for help in an emergency.
■ Create layers of protection. Make sure your home, for example, is protected with more than a picket fence and a chihuahua (install alarms, rottweilers, lights, locks and a safe room at the core of the house with good communications).

Gadgets found in the security shops – anything from night sights to debugging devices – are a waste of money unless they are part of an overall security plan. Learning about the risks and how to reduce them, and developing such a plan, is simple and, compared with the cost of top accountants, cheap.

Security consultants – there are many in the telephone book – will offer help. Choosing the right consultant is rather difficult because there is no guide to recommend best buys, so check with a super-rich friend or high-level executive in the oil business (a risky occupation) to see who they use.

Locate your adviser and start with a short consultation. Fees vary according to the circumstances, but think in terms of a few hours, which will be charged at a half-day rate. Control Risks, for example, charges £375 for one consultant to talk to a group. A two-hour consultation with you alone costs about the same. For a high-risk person, Control Risks recommends a two-day assessment and basic training.

An experienced – probably former police or former armed services – consultant will analyse your security position, advise on what sort of protection you need and then teach you or your chauffeur how to drive in difficult situations (kidnap, ambush, attack). You will emerge a lot wiser about the sort of risks you face and how these can be reduced.

Much of the advice will be common-sense, but it will help more than a pistol under the pillow. You will also get a report and recommendations on the next steps. Price for the assessment: £1,500.

Control Risks acts as a one-stop service and will supply bodyguards (budget for around £300 a day, depending on experience and the job) and the necessary technology (anything from alarms to bullet-proof cars) you might need to keep hold of your life and riches.

It is information and not gadgets, firepower or brawn that is key to keeping out of trouble. Business travellers are most at risk, especially when they visit countries where kidnapping is a national past time. Taking the family on holiday to some areas of the world can also expose the super-rich to super-risks.

Calling the Foreign Office in London is one way of finding out what dangers lurk abroad, but this is certainly not foolproof.

Control Risks has an online database that gives information on security issues in over 70 countries, as well as its own analysts and correspondents who supply information and intelligence. The service is not necessarily foolproof, either, but it is independent.

For the super-rich to be super-safe, the most important thing is to adopt the right attitude – to tone down the glow of wealth. This can be difficult: many of the very wealthy have spent their lives clawing their way free of the dullness of being ordinary. They do not want to be ordinary again.

From Page I

The trouble with the rich

Yet so persuasive is Ronson in dealing with his bankers that he has achieved the unique distinction of being the first man to combine *de facto* bankruptcy with millionaire status. His recently agreed pay package, which includes an annual salary of £500,000 indexed against inflation, is estimated to be worth more than £4.4m over five years – an astonishing reward for one who brought one of the world's biggest private companies to its knees, even though he built it originally.

At least Ronson's outfit is a private concern. The quickest path to riches in recent years has been for the directors of quoted companies to wreck the business after taking the elementary precaution of demanding the longest possible contract. This ensures hefty compensation for loss of office at the shareholders' expense.

Many who have failed to wreck their companies have been equally shameless in paying themselves risk-free fortunes regardless of performance. Still more have milked the pension fund by manipulating pre-retirement salaries. This exploitation of slack accountability in the Anglo-Saxon financial system is a gravy train that rolls on regardless of recession. Why on earth do institutional shareholders, in effect the legal owners of the corporate sector, allow it to continue?

The biggest loser of recent years has been Old Money. According to an index compiled by the agents Savills, the value of agricultural land at the end of last year had fallen in real terms to a mere 37 per cent of its value at the start of the 1980s. As Savills' Bertie Ross points out, there have been off-sets against this fall in values, such as big productivity improvements in farming and surpluses from planning gains on development land.

But for the really big landlords with holdings in commercial property as well, there has been a double bind. While equities have generated unprecedentedly high returns, commercial property has been one of the worst performing investment categories of the past dozen years. Investment Property Databank's index indicates that the capital value of commercial property has fallen by more than 30 per cent in real terms since 1980.

Since many of the older aristocratic estates are averse to borrowing, the attrition is long term and will be felt mainly when property is passed from one generation to another. Yet for Queen Elizabeth II, the pain is more immediate, in that any capital loss will be compounded by her new settlement with the tax man – conscience money, in the eyes of the tabloid press, for the colourful ways of the younger members of her family.

For less regal landed estates, an unexpected twist has come from John Major's government, in the shape of legislation to enfranchise leaseholders. This assault on property rights gives new meaning to Keynes's phrase about the euthanasia of the rentier.

It has also caused the Duke of Westminster, Britain's biggest landowner after the Queen, to resign from the Tory party in protest. But does anyone care much any more when the highest in the land discover that they are downwardly mobile? What, come to that, is the point of the rich? Are they really doing their stuff?

The *bien pensants* of the 18th century had no difficulty with these questions. As Dr Johnson put it: "You cannot spend money in luxury without doing good to the poor. Nay, you do more good to them by spending it in luxury than by giving it; for by spending it in luxury you make them exert industry, whereas by giving it you keep them idle."

Unfortunately (if you share the Johnsonian point of view) the spending power of the rich is too small, nowadays, to offset the rise in the savings of the masses that brought about the recession. From an economic point of view, the very rich are not very relevant.

'The quickest path to riches has been for directors of quoted companies to wreck the business'

A more political justification comes from those who trumpet the merits of maintaining a class of people who are rich enough to stand up to the powerful and to stand down on matters of principle. An unlikely apologist of this ilk was the post-war Labour leader Clement Attlee. It was he who said of the Cecil dynasty in the Tory party: "Cecils don't give a damn, and that makes a lot of difference."

Certainly it is striking that the only high-profile, voluntary departures from ministerial office in recent years in Britain have not come from those like Major or Norman Lamont who made the biggest mistakes, but from those who made or inherited the most money. Michael Heseltine could well afford, in a purely financial sense, to resign over the Westland saga; and former defence minister Alan Clark could equally afford to resign over ... no one is quite sure what.

Yet Heseltine all too transparently *does* care about his own advancement in politics, which is presumably the mark of new money. Clark, in contrast, appears not to care about high office, but has left less of a mark on politics than on the lives of those who were acquitted in the Matrix-Churchill arms-for-Iraq affair, where his candour about Whitehall duplicity prevented serious injustice.

For a better example of what a rich maverick can do in politics, one has to look to the US and to Ross Perot, that peculiarly American version of the Socratic gadfly. But while Perot unquestionably enlivened last year's presidential election and continues to stir the debate on the US budget deficit, he holds no office and smacks too much of the quack to bear comparison with the Cecils.

Even then, the striking thing about the last politically influential Cecil, the fifth Marquess of Salisbury, was the ineffectiveness of his principled departure from politics. He bowed out after attacking the colonial secretary, Iain MacLeod, for his conduct of Britain's retreat from empire.

Yet the resulting battle in the Tory party petered out without causing lasting damage or securing political change. History's verdict would seem to favour the meritocrat rather than the aristocrat on both the point at issue and MacLeod's subsequent career, which took him to the cabinet as a sadly short-lived chancellor of the exchequer.

That leaves a more subtle and provocative case for the rich, advanced by the libertarian philosopher Friedrich Hayek. Hayek argued not only that people of independent means are essential for the preservation of competitive enterprise, but that the rich are even more valuable when pursuing aims that bring no material return. In a majoritarian democracy, he argued, the state simply cannot provide sufficient diversity of patronage in arts, education, politics, morals and religion.

There would even, he adds, be a strong case for selecting at random one in 1,000 and endowing them with fortunes to dispose of at whim; but since inheritance is already random, and those who inherit wealth less prone to the grosser pleasures than the newly rich, inheritance will do very nicely instead.

For Hayek, such a system justifies itself even if a mere handful of these inheritors spends in a beneficial manner, because waste, however shocking, is the price of freedom. And measured by this undemanding criterion, the present-day rich are clearly doing a splendid job.

In less fiscally stressful times the British government might have put up the money for the National Gallery's Sainsbury wing. But it would surely have had misgivings about the superb Saatchi gallery in St John's Wood, which embraces the kind of contemporary art that can sometimes embarrass government ministers.

Nor would any government be likely to put the taxpayers' money into prizes for religious research, as the octogenarian fund manager Sir John Templeton has done.

The pluralist's response might be that the rich are not as diverse, in their tastes, as they might be; and that Hayek underestimates the diversity of the wonderfully imperfect democratic process. Ken Livingstone's Greater London Council might not have been every libertarian philosopher's ideal – though Livingstone is closer to the anarchist than the authoritarian wing of the Labour Party – but it backed far wilder ventures, artistic and otherwise, in its time, than most private millionaire patrons would wish to contemplate. Even a quango like the Arts Council can be astonishingly and quirkily creative – or destructive – under the direction of such lords as Keynes, Goodman or Rees-Mogg.

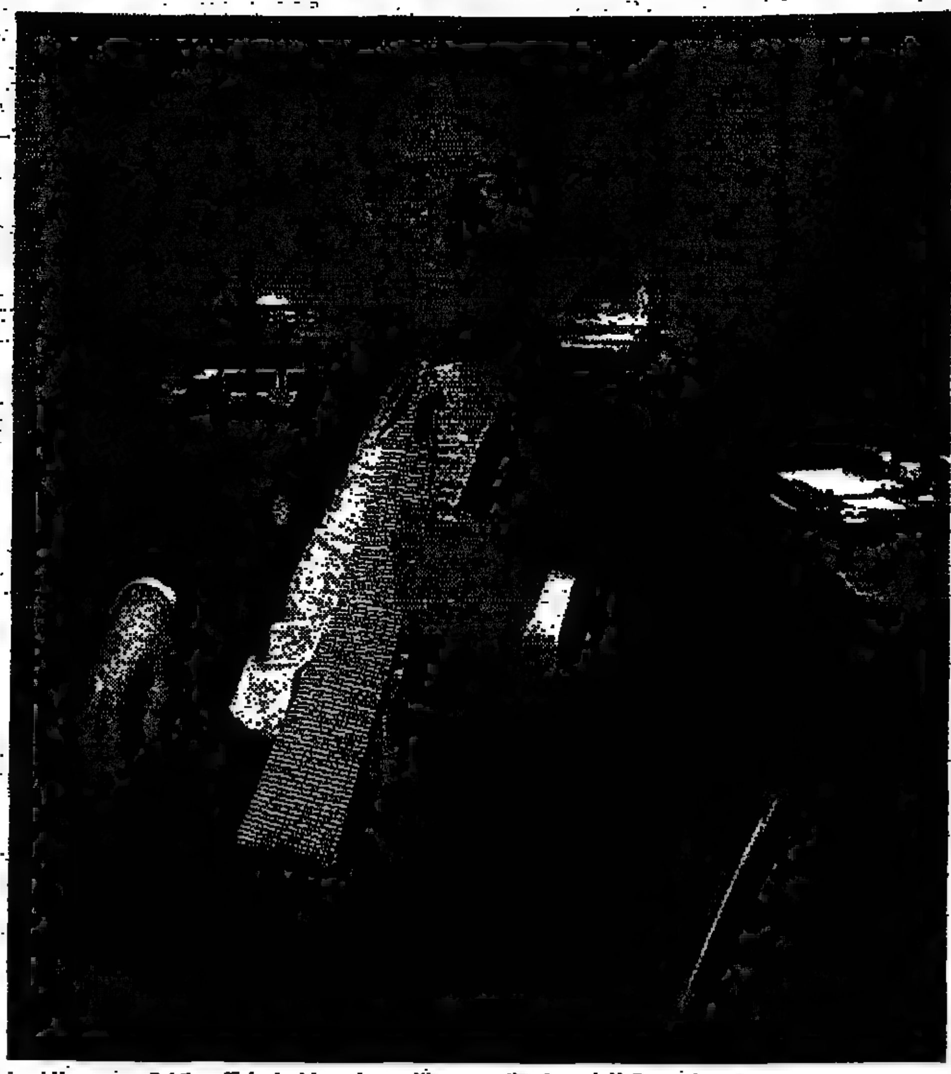
That said, in a world marked by structural budget deficits, the 19th century campaigners who were able, thanks to a sufficiency, to abolish slavery, reform the prisons and bring humanity to the treatment of the insane, are almost certainly due for a late 20th century renaissance. Perhaps, also, as university funding is squeezed, are the gentlemen scholars like Darwin, de Tocqueville or Henry Adams, and the recipients of patronage like Marx.

Love them or hate them, millionaires are the only people in the straightened 1990s who can fill many of the intellectual, cultural and social gaps left by a state that is in obligatory retreat. The rich, of necessity, are always with us.

Tradition gives way to the age of the nerd

*Tycoons once dressed to fit their image, says **Brenda Polan**. But things are changing*

Richard Branson: ties bother his generation, as do razors



Lord Hanson: a slightly-raffish pinstripe when cutting a swathe through Hollywood

WHISPER IT low in Jermyn Street and Savile Row but we are entering the age of the nerd. As those long-promised green shoots of economic growth finally peep through, it is becoming clear that the new wealth-makers will be pallid, round-shouldered, and wear huggy jumpers and anoraks.

According to several surveys, it is the computer whizzes, the developers of ware both hard and soft, who are leading the independent sector out of economic stagnation and decline. Tomorrow's tycoons are the lads in wire-framed glasses to whom a keyboard is as familiar as a dashboard and a mouse as necessary as a gear stick.

Once, getting (and holding) great wealth demanded a military bent. Later, it demanded the technical inventiveness and organisational skills of the manufacturer. More recently, it called for an understanding of money as a commodity in its own right – the iron nerve of the risk-taker and asset-stripper, the political cunning and ruthless manipulativeness of the media mogul, or an instinctual identification with the yearnings of the mass market.

By and large, each generation of new rich has expressed its origins in its style. The self-made earl or the ennobled and empalaced general (whether Percy, Churchill or Wellesley) did not (as Northumberland, Marlborough or Wellington) become any less dashingly military in manner or dress. The Victorian industrialist dressed himself to match his blackened smokestacks and his sober self-importance.

According to the costume historian's tongue-in-cheek explanation, toilers in the City of London espoused the pin stripe at the end of the last century because its splendid orderliness and comforting colour scheme reminded them of the columns in their ledgers.

Most of this century's newly rich, however humble their origins or unorthodox their rise, have made haste to conform. They may well, as did Lords Hanson and White when they were misters on the make, cut a swathe through the female population of Hollywood clad in slightly raffish versions of the pinstripe double-breasted suit, but it was undeniably just that. Their contemporaries acquired a Savile Row tailor just as fast. Even the international operators – the antipodeans, colonials, foreigners and expatriates such as Garfield Weston, Rupert Murdoch, Sir James Goldsmith, Kerry Packer, Mohamed Fayed, the Barclay twins, Conrad Black and George Soros – slip into that Square Mile uniform when they need to concentrate or borrow.

The change began with the post-war, baby-boom tycoons whose wealth was based on servicing the needs, desires and fashion fads of their own large, affluent and greedy generation: men like Richard Branson, Chris Blackwell, Alan Sugar, Andrew Lloyd Webber, Christopher Moran, Andrew Cohen, David Sullivan, John Madejski, Peter Waterman, Michael Green, Brian Reynolds, Cameron Mackintosh and Lawrie Lewis.

These, if they can be coerced out of jeans and a loud sweater, tend to prefer the off-the-peg suit in lighter fabrics and paler shades, usually with an Italian label and wide trouser legs. They are partial to flamboyant waistcoats. They sometimes wear grey shoes. Ties bother them, as do razors.

In their hearts, they appear to yearn for the in-your-face freedom of their contemporaries, the pop-star tycoons like Mick Jagger, Paul McCartney, Dave Stewart and Elton John. What, they seem to ask, is the use of being rich if you cannot be scruffy? What is the point of being a 1960s' person if you give in to the wrinklies?

Those who *do* give in have a tendency to add a maverick element. Andreas Whittam-Smith, editor and co-founder of *The Independent* newspaper, appears to have a passion for a certain satin-finish tie in shades of pastel pink and baby blue. This clashes horribly with his complexion, but he wears it with a pale grey suit or dark pinstripe every time his picture is taken. Sugar, wealthy founder of the Amstrad electronics empire, is rather like an ageing beauty who will not relinquish the fashions of youth and appears reluctant to discard his late-1970s' pink shirts with white button-down collar.

The female tycoons, and there are a few, have had to write their own dress code. They had a little help from an American called John Molloy who, in the early 1980s, wrote a guide for ambitious women called *Dress For Success*. This took the male power-and-authority uniform and, basically, substituted a knee-length skirt, flesh-coloured tights and medium-heeled court shoes for trousers, dark socks and black shoes.

Molloy also recommended an early Thatcher-style pussy-cat bow instead of an old school tie. Fashion reshaped the basic formula, but only a little. Simone Mirman of Sock Shop and countless ambitious brokers, bankers, estate agents and niche retailers played the game; Anita Roddick of Body Shop and Debbie Moore of Pineapple did not, creating their own relaxed styles of dress more in keeping with their business philosophies.

The latest crop of men and women to watch – the under-40s who are energetic and driven enough to form a recovery vanguard – are, for the most part, a conventionally tidy-looking lot, their hand-out photographs revealing clear eyes, straight ties and cheap haircuts.

Not all of them are unredeemably nerdish. Shami Ahmed of Joe Bloggs Jeans; Tim Hely Hutchinson of Headline Publishing; Archie Norman of Asda; Neil MacKinnon of Citibank; Julian Richer of Richer Sounds; Pippa Wicks of Courtaulds; Kathleen O'Donovan of BTR; Nicola Horlick of Morgan Grenfell; Robert Hanson and Tim Vestey, both of the family firms – all tend towards relaxed informality or, at least, a loosened-up version of the conventional uniform.

But the boys who cannot fail, surely, are the keyboard kings in the Brains specs, the unpressed chinos and the machine-washed jumpers. Whether wealth will ever seduce them into expensive clothes and a good barber is doubtful.

Economic recovery might be in sight but many things have changed irrevocably: the cultural dominance of bankers within the business world, and the idea that they must be propitiated by adoption of their uniform, are just two of them.

Seriously Rich

Ever widening social circles

From Henley to Cowes, ***Brenda Polan*** *considers how high society's season survives in a chilly climate*

ACCORDING to *The Tatler*, a British society magazine, the first event of the social season is the Grand National steeplechase. But after this year's debacle, the omens for the 1993 calendar of race meetings, regattas, flower festivals, balls and chilly picnics did not, at the start of April, look good. Yet, succeeding events have gone as planned, affected only by some poor weather, a slight decline in numbers – and a willingness by the women to wear last year's frock.

Too many, perhaps. In the past fortnight, two of London's foremost suppliers of clothes to the smart set have put up the shutters. First to go was couturier Victor Edelstein, maker of beautiful ball gowns and cocktail dresses; he declared that, because his market had shrunk so much, he would soon be unable to pay his workroom staff.

Courtauld, the textiles manufacturer, withdrew financing for Arabella Pollen's own-label collection. Pollen is the darling of the younger, leggier sort of racegoer. The company still wants her as a consultant but feels there is, at present, no profit in the kind of clothes British society women wear. Other British couturiers are rumoured to be under pressure as their customers bow to a new mood of sobriety.

"People," says Ewa Lewis – meaning right-thinking, sensitive, sensible, affluent-to-rich people – "do not want to be seen to be spending. There is a certain guilt about enjoying oneself when so many people, from the miners to one's friends who have been hit by [the] Lloyd's [underwriting disaster], are suffering the effects of the recession."

Lewis should know. She is the social editor of *The Tatler*. Last year she described the crowd at the Royal Ascot race meeting as low-key, anonymous and battle-dressed. "Everyone," she summed up, "looked as though they shouldn't be there."

Furtive might be the word she refrained from using. After all, drinking champagne, eating lobster and making large bets while the economy crumbles is not so different from fiddling while Rome smoulders.

Drinking Pimms at Henley: the season is entrenched as a way of life and the means, marriage-wise, to secure the future of a resilient class

But although the mood of some taking part in the season might be subdued, the onlookers have never been so entranced. The media's romance with what it deems the upper classes grows ever more passionate. Page after page of most tabloid newspapers – and several *soi-disant* "qualities" – is filled with the marital entanglements, misdemeanours, commercial enterprises and sartorial preferences of the titled.

The rich and famous were always with us. The phenomenon of the impoverished, obscure and obscurely-titled as objects of curiosity, envy and even adulation is a late-1980s' development which, far from fading in the commonsense 1990s, seems to be gathering pace.

Thus Eve Pollard, editor of the *Sunday Express*, squeals with delight when, in her role as the BBC's fashion commentator at Royal Ascot, she manages to identify a frock-wearer with a title; for Pollard, titles have a miraculously beautifying effect on the ugliest of frocks. Thus the once-august *Sunday Times* devotes resources (which might, on other newspapers, fund whole features departments) to in-depth analyses of the sins and solecisms of an archaic élite which would far rather (except when it has a country hotel to promote) be left alone.

Nor is it simply a matter of bread and media circuses; nor even, for the deferential British, a matter of deriving comfort from the orderliness of an enduring social hierarchy. It is a cocktail of aspiration, ambition and envy.

Many may read, watch and dream; some try to gain entry. New millionaires can buy their way in; beautiful or clever women have done it via marriage. Provided a newcomer is prepared to learn the unwritten, unspoken rules and abide by them, there has always been room. Today, says Lewis, there is more room. Society is readier to embrace the outsider than ever before.

Gone is the day when a grandee of the old guard could insist that cabinet minister Michael Heseltine could not be called a gentleman since he had needed to buy his own furniture. In the 1990s, the regulators of society – the people who send the invitations, issue the badges and allot the seats – are more likely to judge by worth than bloodline. "Nouveau riche," says Lewis, "is a phrase that is fading from currency. In fact, only an outsider would use it."

The revival of the debutante phenomenon is an illuminating example of a class's survival mechanisms at work. On one level, it is a revival of an old practice: that of the indigent but aristocratic selling their services as sponsors of the rich but proletarian. (You could not be presented at court without a sponsor who belonged there already). On another level, it brings marriageable young women of means into the cash-strapped social circle.

Presentation at court is not bought so easily these days (although to be launched on the season is an effective substitute). Today, the monarch and her family take part in the season only so far as their personal preferences dictate – mainly, if there are horses (or dear friends) involved.

The nature of most events changed so radically in the 1980s that many of the old guard felt elbowed out of places and occasions which, as familiar to them as nanny's knee, had suddenly become strange. The two new factors at work were charity and commercialism. There was a sense, even in the 1980s, that hedonism could not be its own reward; conscience should take a cut, too. So, for every event there was a charity committee, a raffle and a justifying cheque.

Simultaneously, businesses realised that their names could borrow cachet from association with upper-class pursuits and that clients could be thrilled and impressed by a day at Windsor Great Park, Goodwood, Cowes or Henley. Those who took their clients to Wimbledon did not get it quite right.

But even when the event is right and the sponsor has a monopoly, the result, says Lewis, is a distortion. "The Cartier International polo match is corporate entertainment with a capital C; regardless of the fact that many of the old polo brigade will actually be lunching not in the chic Cartier tent but in the rather grotty and unglamorous HPA [Hurlingham Polo Association] tent."

Long before the recession zapped entertainment budgets, the gloss was fading from the concept as overwooed clients became jaded and cynical about the extent to which they were a part of the proceedings rather than its subsidy. But questions as to whether the season can survive its loss of sponsorship and the personal losses of its participants do not arise.

The season is entrenched as a way of life and the means, marriage-wise, to secure the future of a resilient class. It is the coveted goal of the most energetic and resourceful of outsiders – and a splendid spectacle for everyone else.

From the left:
1. Linen and silk jacket, £1,300; silk bustier, £1,055; bag, £525; all from Chanel, Old Bond Street, W1 and Sloane Street, SW1. Silk skirt by Windsor, £260 from Harvey Nichols. Hat, £465 from Graham Smith, Crawford St, W1 and Harvey Nichols. Necklace from Cartier, New Bond St, W1, Sloane Street, SW1, Harvey Nichols and Harrods. Gold bangle by Verdura from Obsidian, Duke St, St James's, SW1. Shoes, £145 from Harrods.
2. Wool jacket, £995, skirt, £445, silk top, £195, from Pallant, Motcomb St, SW1. Straw hat, £168 from Herald and Heart, St. Philip St, SW8. Silk bag, about £130 by Natasha Barrault, from Browns, South Molton St, London W1. Shoes from Laura B, Walton St, SW3. Vintage necklace and earrings from Sandra Cronan, Burlington Arcade, W1.
3. Left: silk suit, made to measure by Bruce Oldfield, Beauchamp Place, SW3, from £1,800. Hat by Patricia Underwood, £295 from Harrods. Silk bag, about £225 by Natasha Barrault as above. Shoes, £180 from Walter Steiger, Sloane St, SW1. Earrings and necklace by Verdura as above.
4. Viscose/acetate suit by Chloe, £1,210 from Browns and Harrods. Necklace by Chloe, £225, straw hat by Patricia Underwood, £425, silk bag by Natasha Barrault, £225, all from Browns. Suede shoes, £44.99 from Faith, Oxford Street, W1 and branches.
5. *Silk dress, £550, wool jacket, £730, both by Donna Karan from Harvey Nichols and* Browns. Hat, £355 from Graham Smith and Harrods. Bag by de Vecchi, £210 from Harvey Nichols. Earrings from Cartier. Shoes, £44.99 from Faith.

Champagne by Laurent Perrier.
All tights by Le Bourget from Fenwick, New Bond Street, W1, Selfridges, Oxford Street, W1, Harrods and Harvey Nichols.
Make-up by Kit Colbeck using Chanel's Evasions colours.
Hair by Penny Attwood.
Pictures by Trevor Leighton.

Studying the Ascot form

Avril Groom ***says watch the legs in the Royal Enclosure this year***

NOT EVERYBODY who attends the events of the English social season is super-rich, and not all the seriously rich do the season. But those who are prepared to stand up and be counted at the summer's high-profile events are intensely interested in fashion and the way they look.

At Royal Ascot, still the glossiest daytime occasion in the social calendar, you need confidence to run the gamut of *paparazzi*, scribbling gossip columnists and curious sightseers who clog the entry to the royal enclosure.

Techniques vary, from those who stride out, glancing neither to left nor right in anonymous, tasteful clothes, to the publicity-seeker ambling by in an outrageous hat. But all are on display, and for many Ascot is more about seeing and being seen than about horses.

Royal Ascot is so hyped that many serious racing folk stay home and watch on TV. The seriously rich who *do* go dress appropriately and smartly. They may not have bought a new outfit for five years. They go to traditional couture houses such as Hardy Amies, or their own dressmaker, or a shop in the country.

For men one bespoke morning suit can be a lifetime's investment. But for women, more subject to fashion's changes, the season is the perfect excuse for new outfits, though not all high-profile women can be seen to spend, in spite of the Princess of Wales's recent spree in Paris.

Even in 1993, however, there are seriously rich women who do not mind looking the part. They are invariably beautiful and manage to look feminine and slightly sexy while staying just within the bounds of good fashion taste.

The assorted wives of Robert Sangster, for example, would not dream of doing Ascot in last year's frocks. What they *would* dream of is a short silk outfit, striking enough to stand out, perhaps softened with a ruffle.

But fashion is changing to the long soft style, which can be dangerously casual. What women like the Sangster wives wear will be a talking point of the season. Will they cover those trophy legs? Will they abandon gilt buttons and big trims for the new plainness. Or will they sail blithely on in the short, sharp outfits that have made the past few years so smart?

Soundings indicate that this season is unlikely to break records for smartness. There is a rather negative mood and a feeling that fashion is in transition. The new look is almost too trendy as yet. This year many women will probably stick with safe favourites.

Among a crowd more in tune with their husbands' pockets than *avant garde* fashion there is resistance to the longer length. A visit to Chanel revealed a flurry of women having their slim, calf-length skirts raised to just on the knee. Bruce Oldfield, an Ascot set darling, says he has sold a few tailored jackets with long, soft skirts, "but far more short coat and dress or jacket and dress sets. The difference from last year is that people are buying more of them."

But the soft look is having an influence, if not on length. Glitz is buried, with those big gilt buttons replaced by soft ties and bows, a near-absence of trims and gentle, narrow shoulder lines on even the most tailored jacket. Seriously rich fashion fanatics can score points by getting the soft look just right. Absolute winners are Chloe's softly fluted suits and Donna Karan's monochrome ruffled chiffons.

The new long look needs a fresh approach to accessories and make-up. Plainness gives space for the big, decorative hat. Graham Smith says big brims are back, and manages to put a soft curviness into those of even his most structured styles.

The hard-edged leather bag and bright red lips are redundant, while make-up should involve low-key colours like slates and peaches.

"Wearing layers with a soft skirt, split to show the leg, is a sophisticated version of the new Bohemian look, but it takes some confidence," says Joan Burstein, of Browns. Good compromises come from Amanda Wakeley, who does pure and simple long shapes in the best of fabrics, and from Laura B, whose soft, floppy, subtle jackets have "the right plain necklines for showing off good jewellery" and do not loudly proclaim particular designer origins. They go with flattering curvy sarongs or light georgette pleated skirts: both long, though Laura has had to do a lot of shortening.

This, then, is the style designers feel the seriously rich should wear to Ascot. Whether they *will* is another matter, for taste and fashion sense were never the exclusive preserve of the wealthy.

Tale of the horsetrader who gambled everything

***Michael Thompson-Noel** describes how Robert Sangster and Vincent O'Brien found the key to the bloodstock market*

WHEN racehorse owner Robert Sangster and trainer Vincent O'Brien first set eyes on The Minstrel at the Keeneland yearling sales, Kentucky, in July 1975, they were not sure what to make of him.

The Minstrel was a son of the great Canadian sire, Northern Dancer, and that they liked. And The Minstrel had tremendous self-assurance, and *that* they liked. But he was small and chestnut-coloured and also flashy, with four white stockings and a big white blaze.

In the multi-billion lottery of international horse racing, the colour of a yearling's coat and the number of white feet he has, let alone his size and deportment in the auction ring, are not just trifles.

They may be crucial. Millions may be at stake, for there is a feeling among experts that the chestnut colour in racehorses signifies petulance and temper, while four white stockings are almost a taboo.

According to a just-published book about Sangster, *Horsetrader*, by Patrick Robinson, O'Brien said nothing when The Minstrel was first brought out for him at the Keeneland barns. "He stared quietly into the yearling's eye," writes Robinson. "And the little horse stood stock still, staring back. Vincent smiled at him, pulled his ear gently, ran his hand down the horse's neck ... 'He's more than 14.1 hands,' he said. 'But not much. He could just be big enough, but only just'."

In the auction ring, Sangster and his syndicate bought The Minstrel for $200,000. They thought they had got a bargain because, alone of all the yearlings O'Brien had studied, it was The Minstrel that had "spoken" to him.

On the flight from the US to O'Brien's Ballydoyle training complex in Ireland, most of the yearlings O'Brien and his clients had purchased that week were restless and nervous. Some were dark with sweat. But none of this applied to the robust little chestnut colt that could only just angle his head over the front of his travelling box to get at his hay-net. There was no sound from The Minstrel – just a steady munching.

Two years later The Minstrel won the English Derby, hard ridden by Lester Piggott who thwacked and thwacked him with the whip over the last quarter of a mile. The Minstrel won by a neck. O'Brien was trembling as the little champion crossed the line. O'Brien's wife was in tears. Sangster was in shock.

In the next few weeks The Minstrel won the Irish Derby and then the mid-summer European middle-distance championship, the King George VI and Queen Elizabeth Stakes, at Ascot. Following which he was shipped back to the US, to Maryland, with a price tag of $9m around his handsome – chestnut – neck.

The tale of The Minstrel is one among hundreds of stories that help maintain the momentum of *Horsetrader*, one of the most riveting books about international horse racing ever published – impressively well-researched, exciting and well-written.

More, it takes us inside the mind of a man who inherited substantial wealth (the Vernons Pools business) and then parlayed those riches into a horse-owing and breeding empire. Usually an intensely private man, Sangster has never before allowed his fantasies and motivations, as well as the mechanics of his assault on the racing world, to come under such scrutiny.

The $1bn horsetrader: Robert Sangster and his wife at Royal Ascot

One of the key players in the syndicate that Sangster formed with O'Brien was the great Irish bloodstock expert John Magnier, who in 1974 spelled out a winning strategy to take on the world of thoroughbred breeding by the neck and shake loose the key of gold.

Sangster and Magnier were at Goodwood, enjoying a quiet drink after watching a tough US-bred colt by Vaguely Noble named Ace of Aces, owned by the Dallas billionaire Nelson Bunker Hunt, humble the best milers in England to win the Sussex Stakes.

"'Look at that,' said Magnier. 'You could have bought him as a yearling for $30,000. Now he'll probably be syndicated for upwards of $2m to go back to Kentucky. I'm wondering if that might not be the answer: to raid the sales in the US for yearlings, which cost one-twentieth of the price of stallions, and hope to get it right once every four or five times. That way we'd *own* the stallions before they retired – and *no one* could get them away from us."

Specifically, they tried to corner the market in the offspring of Northern Dancer – a shrewd ploy and one that brought them many triumphs. In the years that followed, Sangster, O'Brien, Magnier and their rich friends raided the US yearling sales. The value of the bloodstock that has passed through Sangster's hands from the mid-1970s to the present undoubtedly exceeds $1bn.

But the good times could not last. In the early 1980s various oil-rich Arab owners, especially the Maktoum family of Dubai, moved into the market. *Their* money spouted from the ground. As a result, they made life extremely difficult for mere multi-millionaires like Sangster and his partners.

To complicate things further, in the late 1980s the racehorse market nosed into decline – yearling and stallion values collapsed, owners withdrew, breeding studs went bust.

But Sangster is still in business, these days as a commercial horsebreeder. In 1992 he enjoyed heartfelt success with the classic-winning Rodrigo de Triano, which he eventually sold for $6.2m cash to the Japanese in the absence of a comparable offer from the UK.

"As I have always stressed," said Sangster, "the strength of a big investment in thoroughbred horses is its global appeal. There's always someone, somewhere, who will have the money for a classic stallion prospect. I am a horsetrader, and right now I'm very happy with my situation."

According to Patrick Robinson, Sangster's racing forays were based, back in the 1970s, on a start-up investment of about £2m. At the height of the market boom in 1984 and 1985, Sangster's bloodstock interests were probably worth approaching $350m worldwide.

"There were bank loans to be serviced, of course," writes Robinson, "but these were settled upon the sale of Vernons Pools. Even as the market crashed further, in the 1990s, his accountants assiduously calculated the value of Robert's international bloodstock empire, and on the day Rodrigo de Triano wrapped up the British season the figure stood at a conservative $157m – a quite remarkable total given the world bloodstock recession and the wildly fluctuating values of breeding stallions."

Last season, Sangster banked close to £1.5 in prizemoney, which paid for the bulk of his racing and training expenses. And he sold $20m worth of yearlings. At least 50 yearlings he had bred were on their way to his own training complex in England. And in Ireland, the mares he owns were preparing to produce almost 100 foals.

Occasionally, says Robinson, Sangster, O'Brien and Magnier still get together in Ireland. They can be seen at the top of the Ballydoyle gallops, watching the horses work.

"Their talk always seems a bit conspiratorial, their laughter private to themselves, a certain remoteness suggesting they have much to say, but only to each other. It is perhaps the type of close camaraderie which settles only upon men who have fought many battles together. Somehow these three diverse *personalities* had made the lunatic world of the thoroughbred racehorse actually work, profitably and with dazzling success. At times they had gambled everything ..."

■ *Horsetrader: Robert Sangster and the Rise and Fall of the Sport of Kings*, by Patrick Robinson with Nick Robinson, HarperCollins, £20.

Packer and his assassins

***Keith Wheatley** in the free-spending world of top-level polo*

POLO MUST have considerable magic if it can make Kerry Packer an Englishman. The Australian media tycoon is a fanatical player and the biggest spender in the British game. His two teams, Ellerston White and Ellerston Black, based in the West Sussex village of Stedham, probably will cost him more than £2m to run this season.

A goodish chunk will go to his South American professionals, Gonzalo Pieres and Adolfo Cambiaso. These "hired assassins," as the top players are known in the game, command six-figure fees for three months' work. They will play with Packer and young Briton Tarquin Southwell; yet, the rules of the venerable Hurlingham Polo Association, the sport's governing body, say that 50 per cent of the team (two players) must be British.

"Every patron is deemed an honorary Englishman for the duration of the season," says HPA secretary Buff Crisp, explaining how Packer changes nationality each May. Indeed, while the green meadows of southern England stage the world's best polo each summer, few of the players or backers in its high-goal format (the sport's equivalent of motor racing's Formula One) are British.

Almost every 10-goal player (the best possible handicap) in the world will be playing for one or other of the 14 teams entered in the top division, a phenomenon that could be a tribute to the British administration. "Why do they come here and spend – or earn – God knows how many millions of pounds?" asks Crisp. "We're good at organising tournaments and the games will be totally fair."

Professional umpires will be used for the first time this season but Crisp says it is difficult to acquire completely impartial umpires since, unlike other sports such as rugby or soccer, there is virtually no pool of players sidelined by age to draw upon. "Retired polo players simply don't exist. They either go broke or die."

Since Prince Charles has done neither, why all the headlines about him "quitting" the sport? In fact, he has simply withdrawn from the high-goal game and will continue to play at a more modest recreational level with a team called the Maple Leafs. The other notable retirement has been England captain Julian Hipwood who, on a handicap of seven, had been the country's top player since the mid-1970s.

Polo fanatic Kerry Packer

Hipwood, 46 and a polo professional all his life, is unashamedly nostalgic for a past with more fun and fewer hired guns flying in. "People like Kerry Packer don't have a budget," he says. "He wants to win the Gold Cup so badly he will simply spend what it takes. In the old days, out of a season's cost of £100,000, the patron would spend £10,000 on players and ponies and the rest on having a good time. Not any more, I'm afraid."

Don't such owners – businessmen, not athletes – risk looking silly playing alongside professionals? After all, a tycoon might buy a football club but he would not play at centre-forward. "You do find one or two people sniggering, but on the whole the patrons do very well," says Hipwood.

Where he does find a tension is between the imports and the struggling British journeyman. "They fly in with hat and stick and get Packer's best pony put underneath them, while the English pro is out there grooming and slaving away. We're friends on the field but, underneath, there's an uneasiness about them coming in and taking our jobs."

This, of course, is simply the part of polo beloved of the glossy magazines and Jilly Cooper novels. At the grass roots the game is thriving and growing, without any recourse to plane tickets to Buenos Aires or Australian millionaires.

"Seventy-five per cent of our members have a handicap of one or below [equivalent, roughly, to a 15 golf handicap]. That's where the strength is in this country," says Crisp. "Over 100 pony clubs now have polo teams."

So, why are the top players called Carlos rather than Charles? "We've got more concrete than pampas in this country and our season is only a quarter of the year," Crisp explains. "Maybe it's also temperament."

Even if the chances of being put on the Packer payroll range between slim and zero, the number of people rolling up to learn polo at Anthea Hartley's Chiltern polo centre, an hour north-west of London, is soaring. Why? "It's very difficult for Joe Bloggs to have a go at polo without making a major financial commitment," she says. "It's also like learning to play in a goldfish bowl if you go to a club. Everybody's watching you and you're bound to feel inadequate. Unlike tennis, you can't go out and practise in private."

Her clients range from property men to policemen who pay £30 for a two-hour evening session, plus £25 to hire a pony. They start by poring over a table-top pitch with plastic players and horses to learn rules and tactics. "They want to jump straight on a horse and hit the ball but it can be dangerous and you need briefing," says Hartley. "A lot of girls come. Women tend to be more enthusiastic and do it as a fun thing. The men are often dedicated towards becoming serious players."

Since she does not play herself, I (wrongly) imagined Anthea as the wife of a polo fanatic. "Actually, we don't mention the P-word in front of my husband," she confides. "He's a rugby man, but very tolerant of all these horses."

Seriously Rich

Life stirs again for the ghost of property past

London remains in the vanguard but there's plenty elsewhere for the multi-millionaire with liquidity, reports ***Gerald Cadogan***

THE PROPERTY market is returning from the dead and good houses are selling fast. Within a week of Knight Frank & Rutley (KFR) marketing Leckhampstead House – a handsome Georgian village property well-placed for the M4 near Newbury, Berkshire – with a guide price of £625,000, it had gone.

Similarly, the buying service of Lane Fox snapped up Chisenbury Priory, a Georgian house near Pewsey, Wiltshire, at a price in line with the suggested £1.5m. Its client was the first person to view and bidding started at once.

Last autumn, the market was a ghost. It took time to see that Britain's exit from the European exchange rate mechanism and its aftermath – a lower pound and lower interest rates – could be a blessing in disguise. The two groups to grasp the opportunities first were foreigners buying in London and British farmers, who have had a windfall gain in the green pounds they receive under the EC's Common Agricultural Policy.

London is still in the vanguard and expensive houses like 5 Holland Park (KFR, guide price £6.75m) are selling, as are flats that buyers from Hong Kong, Singapore and Malaysian acquire as investments. Aylesford reports that half the flats it has sold this year are in this category, many of them bought without viewing. And once the price for 11 Yeoman's Row in South Kensington had been reduced from its November 1992 figure of more than £700,000 to around £595,000, the house went in a few days – for £640,000.

The best guide to how the market is turning is the Corporate Estate Agents index. Based on data from the agents owned by banks, building societies and insurance companies or quoted on the stock exchange, and equalling about half the UK agency market, it shows that net sales (excluding those that fell through) in April were up 26.3 per cent on April 1992, and contracts exchanged were up 8.3 per cent. Small (4-5 per cent) declines as against March reveal the impact on business of the Easter holidays.

"Is now the time to buy?" I asked Charles Ellingworth of Property Vision, an up-market buying agent in west London. "I am not a seer," he replied, "but the market turned last autumn. There has been a 5 per cent bounce since then. How far it will go is unclear. My view is that it will move up at the rate of inflation, which is not much."

While this is hardly a bullish view, it is probably healthier for being realistic. A bearish outlook is out of the question. The main problem now is that too many buyers are chasing too few properties, a lament heard throughout the UK where agents are desperate for new instructions from vendors.

"It is a tricky market," says Ellingworth. "Discrimination is the name of the game." In other words, the quality of the individual property matters far more in figuring the price than the pundits' generalisations.

■■■

WHAT DOES the market have for the multi-millionaire with cash? Leading candidate as the most expensive house on sale is 9 Tregunter Road, SW10, at a guide price of £9m from De Groot Collis and Savills.

The outside of this town house gives little clue to the riches inside. Property developer Northacre has rebuilt it with no expense spared, linking it by rooms running under the garden to 10 Cathcart Road to make an urban mansion with 10 bedrooms and 11 bathrooms.

The Cathcart Road end functions as the spare rooms and staff quarters. The heart of the underground section is a 32ft swimming pool lined with columns. Next door is a billiards room.

Columns and marble are equally important in Quinlan Terry's Gothick Villa in Regent's Park, which the Crown Estate is selling through Savills and Lassmans for £6.5m (*Weekend FT*, May 15/16).

At a similar price – offers over £6.5m – is Halkin Gate House off Belgrave Square, where two town cottages have been transformed into another urban mansion with basement swimming pool. The rich need exercise. Agents De Groot Collis can arrange it.

Is there a better address in London than 5 Belgrave Square? This house, built by Thomas Cubitt, used to be the home of Sir Henry Channon, a Chicagoan who married Lady Honor Guinness and was for a long time an MP for Southend. Known as "Chips," his published diaries are a splendid, gossipy guide to the years from 1934 to 1958 when he knew everybody. Aylesford asks £3.25m for a 40-year lease, to include a newly renovated mews house.

■■■

IN THE country, the honours go to the Pickenham Hall estate in Norfolk between Norwich and Cambridge, a rare chance to buy a large Edwardian house with plenty of land (3,627 acres) including a shoot, farmhouses, cottages and almost all South Pickenham village. KFR offers it at the intriguing guide price of £8m-£10m, demanding all the estate agent's skills to achieve the right figure for the vendor. For £4.5m in adjacent Suffolk, and still unsold despite much publicity last year, is Heveningham Hall (*Weekend FT*, May 15/16). Sir Nikolaus Pevsner, the architectural historian, called it "the grandest Georgian mansion" in the county. KFR and Savills are the agents.

Another estate on the KFR books is Great Hundridge Manor in Buckinghamshire, a Grade II, late-17th century house with a 13th century chapel that is now the billiard room and a stud with 24 loose boxes. To breed your Derby winner here costs around £3.5m.

With an offer over £3m, Strutt & Parker will sell you Thorncombe Park estate, placed conveniently near Guildford in Surrey. The house, in which the vendors have lived for 56 years, started in the 18th century, and comes with the appropriate panoply of cottages, lakes, parkland and woods.

In the same price range is Grove Farm, a large fruit farm at Harwell in south Oxfordshire offered by John D. Wood for £2.7m as a whole, or in lots. The sale includes 500 acres of orchards, cold storage for 2,300 tonnes, a farm shop, a pick-your-own business, cottages, managers' houses and an irrigation lake.

Clive and Alison Hartwright – a local family – have built Grove into an impressive operation specialising in plums, cherries and apples. It has a turnover of £2.42m, 20 full-time staff and up to 120 part-time pickers.

KFR is selling a Victorian Gothic extravaganza near Newbury called Stargroves – once owned by rock singer Mick Jagger – for around £2m. Its grey cement rendering and slate roof remind you of Scotland. For half the price, KFR also offers author Evelyn Waugh's old house, Piers Court at Stinchcombe in Gloucestershire. It was a wedding present from his (second) wife's grandmother in 1937; they moved later to Somerset.

■■■

IN SWEDEN, Stikkan Anderson, former manager of the pop group Abba, is selling the Villa Ekarne on the island of Djurgarden, a Royal National Reserve Park owned by the King of Sweden near the middle of Stockholm.

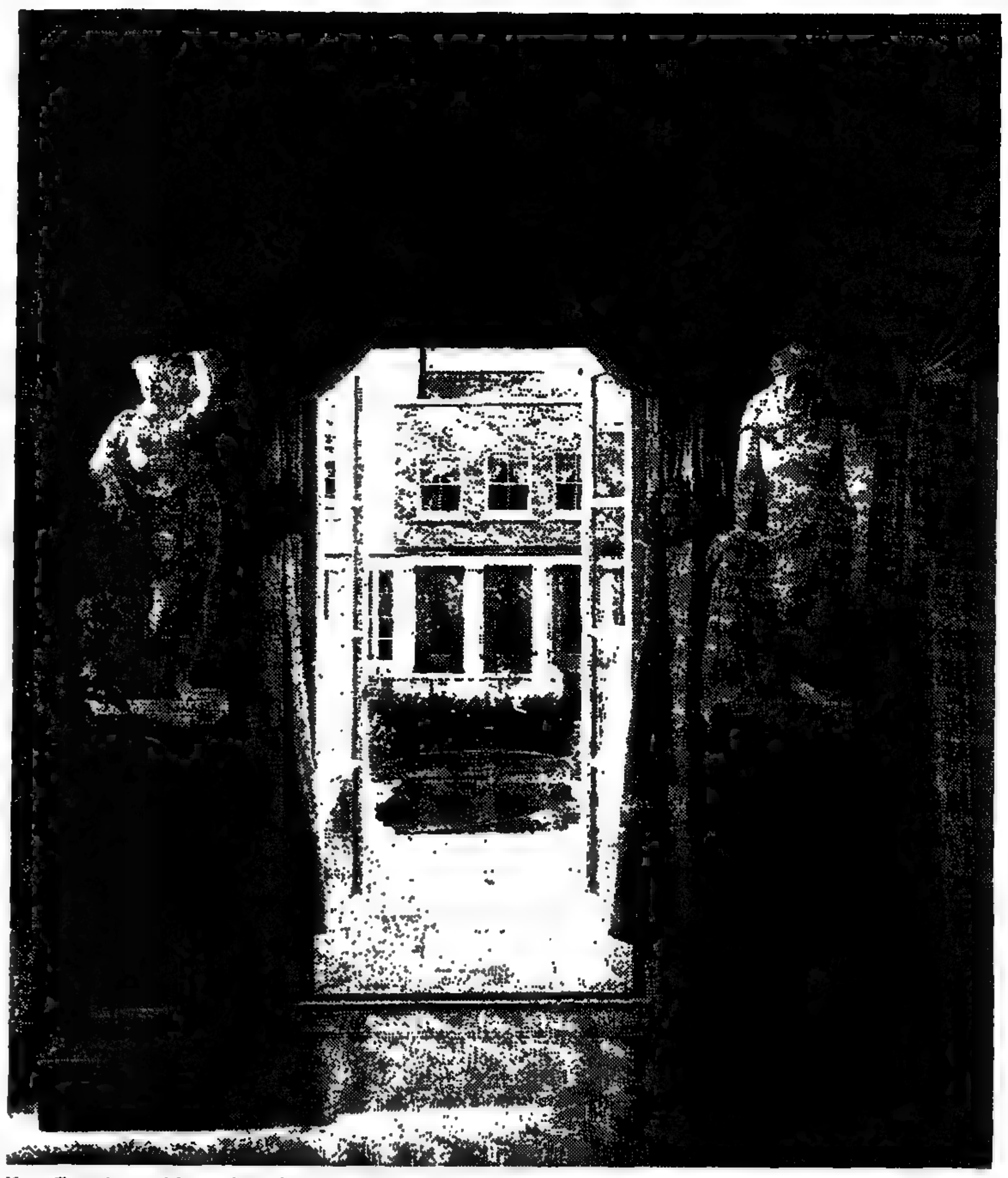
The house, from the early 1900s, is of wood on granite foundations and was designed by Ragnar Ostberg, of Stockholm town hall fame. Included in the sale is a painting of My Family by Carl Larsson which has hung at the end of the entrance hall and foot of the stairs since being commissioned by the first owner.

The agents are Sotheby's with Wrede in Sweden, and the price for a leasehold (known as an *arrende* in Swedish) is around SKr20m ($2.72m).

For the rich who hanker after owning a hotel in warmer climes, there is the Club Aldiana in Senegal, a Club Med type of operation with 600 beds in thatched bungalows, superb food and, of course, marvellous beaches. Hotel broker Michael Pegg is offering it for a much-reduced DM9m ($5.57m).

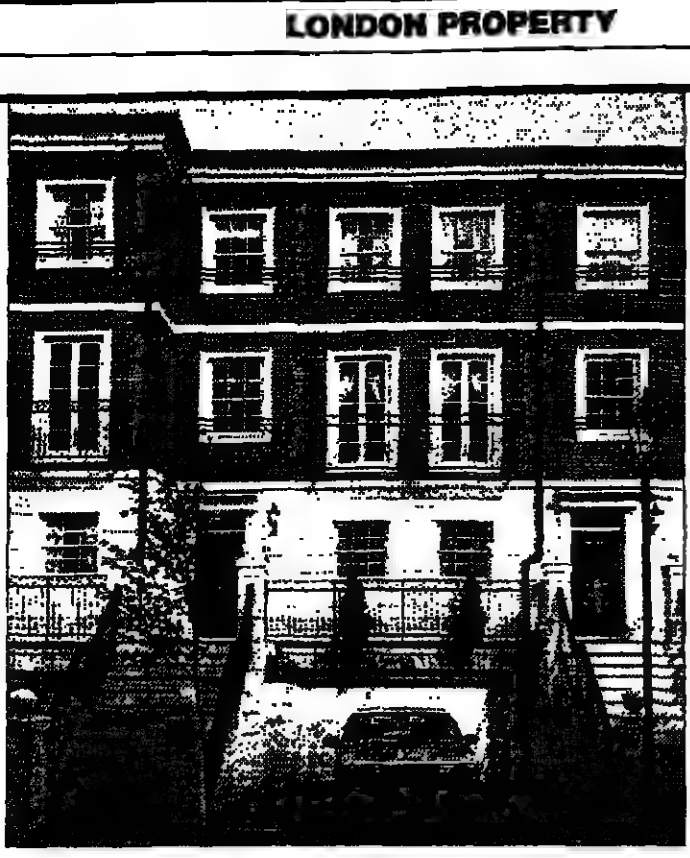
Another paradise on Pegg's books is the Royal Sunset Island resort hotel in Tonga, with 26 four-bedded bungalows in eight acres of tropical gardens. At $1.6m, it would be easy for an hotelier to sell up in the UK and move to the life of the lotus eaters – or for a millionaire to buy the ultimate venue for house parties.

■ *Further information from: Aylesford (071-351-2383); De Groot Collis (071-235-8090); Knight Frank & Rutley (071-629-8171); Lane Fox (071-499-4785); Lassmans (071-499-3434); Michael Pegg, Bristol (0272-420247); Property Vision (071-602-8788); Savills (071-7300822); Sotheby's (071-408-5196); John D. Wood, Oxford (0865-311522); Wrede, Stockholm (08-611 14 14).*



You will need around £9m to buy this urban mansion in Tregunter Road, south London

LONDON PROPERTY



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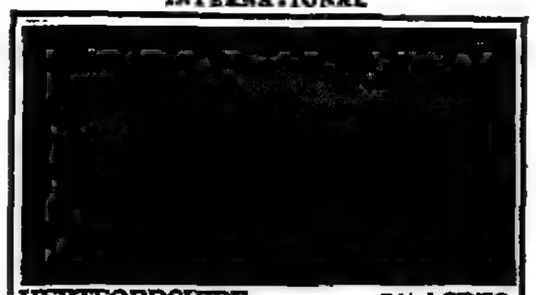

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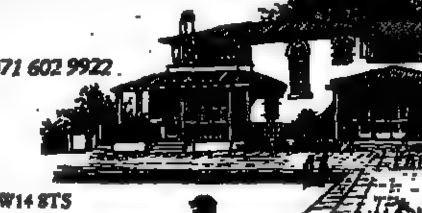

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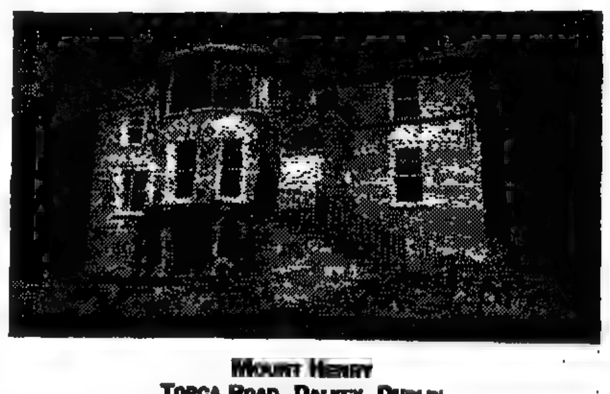

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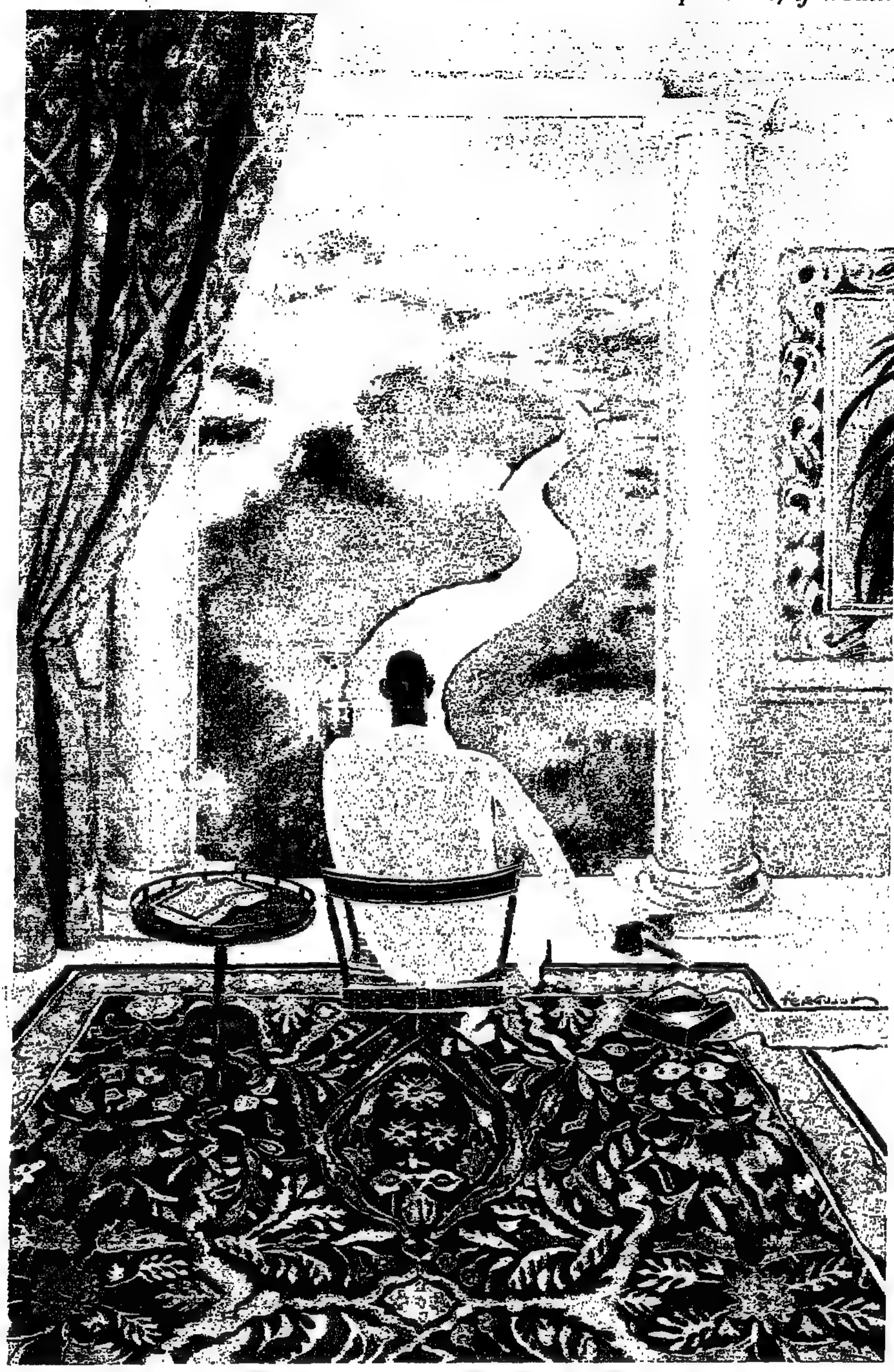
Seriously Rich

Potted palms, possibly; luxury liners, never

We asked Nicholas Woodsworth, Travel Correspondent, if wealth would change his travel tastes. His answer: part No and part Yes



IT IS somewhere between the hour of late afternoon tea and early evening cocktails. Pen in hand, *viennoiseries* and a cup of Assam summer flush beside me, I sit writing in quiet contemplation in the lounge of Amsterdam's Amstel Inter-Continental Hotel.

Like most of the world's truly luxurious establishments, the Amstel's extravagances are discreet. Waiters do not hover here, but appear from nowhere at opportune moments. There is a tinkling piano at the far end of the glass-roofed lounge, but it tinkles very softly. There are polished wooden floors, thick carpets, potted palms, gleaming period furniture and crystal chandeliers. None of it, though, interferes with the room's prime attraction, its magnificent river-side view of the boats, quays and barge traffic on the Amstel River.

Upstairs there is more of the same extravagance. Invisible, a butler hangs about night and day waiting for me to ring my bedside buzzer. My room is full of rich fabrics, *objets d'art*, a private bar of cut-glass decanters, cabinets concealing VCR, CD, fax and sundry other unsightly machines. In the marbled bathroom there are Hermès toiletries, towels of a size I get lost in, huge bathtub fittings of ornate and gleaming complexity.

And should I decide to order one of the Amstel's Rolls-Royces or its private launch for a whirl around town, there is a telephone by the toilet.

This, I am tempted to say in the luxurious idleness of the moment, is what travel is all about. Why not, if one can afford it, gad about the world surrounded by crystal and polished wood, well-mannered receptionists and skilled waiters? Why bother, money being no object, with services that are anything less than the finest?

But even as I peruse the evening's dinner menu, my eye drawn excitedly onwards by scallops in truffled ravioli to a *bouillabaise* of Brittany lobsters, a calmer, interior voice calls me to order.

This is not travel, it says, so much as mobile self-indulgence, a mere pandering to the senses in a place other than home. This kind of travel does not make a vast distinction between one destination and another. What I am doing in Amsterdam I could equally be doing in any luxury hotel anywhere on the globe.

Travel is one activity in which the large bank account and the smoking credit card act as great levellers: the more you spend, the higher the standard of international service you will receive – and the more the services in one country will resemble those in another. In its cosmopolitan refinement the Amstel is similar to the Imperial in Vienna, the Mandarin Oriental in Hong Kong, or the Taj in Bombay. Even the quays and barges of the Amstel River cease to be real quays and barges, but become simply an exotic backdrop to the real business at hand – luxury.

If the aim of travel is to enjoy the great variety of life the world has to offer, serious wealth can be a serious obstacle. It tends to cut the traveller off from the world which, in theory, he has set out to explore. I have no fetish for seediness, gave up back-packing years ago, and occasionally enjoy the luxury of a top-class hotel. But whether they are of any interest in themselves or not – and often they are – I find that small, modest, local hotels allow me a much closer and immediate touch with the world around.

What applies to hotels applies to other aspects of travel. Ultimately, there is no correlation between the amount of money you spend on a trip and the amount of satisfaction you get out of it. What counts in travel, as in most other endeavours, is not the amount of money you spend, but how you spend it. The best things in life are not always free, but neither are they always the most costly.

Often the most expensive restaurants in town are used only by wealthy tourists, while some of the best local meals and atmosphere are to be found in places with plastic tablecloths.

Book yourself a holiday in an expensive and isolated beach resort and you may come home tanned and relaxed, but it will not really have mattered which country you were in. More isolating still are luxury cruises. The prospect of sailing into the Caribbean sunset surrounded by high-density wealth and boredom is dismaying.

Even roughing it can have its problems. Travel over the Kalahari, up the Amazon or along the Silk Road with a luxury tour company that promises to pamper you with all the comforts of home in the wilds, and you may well find the wines excellent and the company convivial. On the other hand, you might as well have stayed at home.

In some cases, conspicuous wealth can be a positive disadvantage. Walk around sporting expensive clothing, watches or optical equipment in the streets of some of the world's poorer countries and you will not only distance yourself from the majority of people; you may also be setting yourself up for a mugging or worse. And as tourist killings in various places have shown, the urban jungles of the developed world are by no means safer.

But enough carping about luxury travel. Money is, after all, the stuff that makes travel possible, the only item besides a passport that is essential. Without it you stay firmly grounded in one place. There are endless travel projects that simply cannot be realised without lots of money. Scads and oodles of it.

I may not like the idea of sailing the Caribbean in a luxury cruise liner, but I would love to sail it on my own with a few friends. We could try piling into an 8ft inflatable rubber dingy and doing St Lucia, Martinique and Tobago on the cheap, but frankly I would prefer a 36ft ketch.

Other of my own travel fantasies that require a certain minimum of costly physical back-up include: the use of a Toyota Landcruiser and the time to slowly demolish it on the back-roads of Namibia and Botswana; the hire of a helicopter and pilot for glacier skiing in the Canadian Rockies; a private expedition to Antarctica so I do not have to join a party of concerned individuals all wearing red parkas and being lectured to death on green issues.

Money, though, can also buy travel expertise that is much needed. I would love to wander into the Karakoram and Pamir mountains of central Asia. I would also love to wander out again. At times like these a little moneyfor guides and interpreters might not be amiss.

There are also times when I would like to know just why this Etruscan vase or that Buddhist *stupa* is of such significance. Having a cultural or historical expert's explanation could make all the difference on a trip, say, to Asia minor or Japan, and there are high-quality tours that cater to just that kind of need. And just how am I going to navigate that ketch in the Caribbean? Alpine para-gliding, underwater diving, salt-water kyaking – in any kind of specialist travel activity, technical instruction is essential.

There is, in fact, no end to the kinds of ways in which money can improve travel. It can buy privacy and seclusion in a crowded world. No matter how alluring they are, I avoid places if there is no escape from tourist hordes. It can satisfy the interests that travel develops – if I could afford it, I would fill my house with beautiful carpets and ceramics from around the world. And it can buy comfort.

I may not be strong on luxury hotels, but travel itself can sometimes be trying. Given a few hundred thousand in my bank account, I would never travel anything but first-class.

Seriously Rich


Mrs Asano: "I have opened thousands and thousands of oysters"

Where pearls grow on trees

Christopher McCooey visits a sheltered bay where gems are farmed

AN AZURE SKY and a cerulean sea in a bay surrounded by green hills. We are in the Ise Shima national park on the Pacific coast of central Japan.

A bamboo raft rocks gently as a boat draws alongside. Mrs Asano steps nimbly on to the floating platform and ties up as her husband shuts down the outboard motor. The Asanos have come to check their oyster baskets to see if nature has worked her alchemy to produce for them some lustrous pearls.

Mrs Asano, wearing a white cotton bonnet to shade her eyes from the sun and its reflection off the water, pulls up the first basket of oysters. Deftly, she inserts a wide-bladed knife into the joint of the bivalve and twists it open. The point of the blade searches in the fleshy organs of the creature's body and pops out a perfect pearl into an aluminium dish.

She picks it up, making a duck's beak with her thumb and index finger, and turns it this way and that, examining it critically. It glistens with the body juice of the oyster that produced it, but when the juice is wiped off it begins to glow sensuously with a rainbow-like aura. There is the merest blush of pink and an evenness of lustre. It is a moment of primal pleasure.

"I have opened thousands and thousands of oysters in the past 20 years," says Mrs Asano, her round face split by a dazzling smile enriched by a full set of gold-capped teeth, "but it is always exciting, especially when you find a pearl of great beauty like this one. We can sell this for Y50,000" (about £280).

Not all pearls fetch such a good price. The very best pearls are sold individually, but the majority of the Asanos' pearls are sold by weight through a co-operative venture which holds auctions periodically. The big companies, like Mikimoto, send buyers to the auctions and the Asanos' annual production of about 8 kilogrammes is then graded and marketed by them.

For centuries, natural pearls were used as charms, talismans and adornment for noble men and beautiful women. Taken in powdered form, they were used as potions for love and cures for lunacy – one and the same condition, some might say. But during the last century, several people began trying to produce cultured pearls, including a German named Hessling who experimented, unsuccessfully, with freshwater pearl cultivation.

It was the eldest son of a noodle shop owner from Toba, on the Pacific coast of central Japan, who succeeded in convincing the skeptics that seeding oysters to produce pearls was a viable business. He wasn't the only pioneer, but Rokichi Mikimoto's great talent was not only in raising cultured pearls but marketing them as well.

Mikimoto irritated his first oyster in 1888. He prized it open and inserted a foreign body into the living mollusc's reproductive organ, and then returned it to the sea. A foreign body in the gonads even *sounds* irritating.

As might be expected, the oyster did its best to ease its discomfort by secreting nacre (mother of pearl) and isolating, by enclosing, the irritant. Eventually, after countless failures, Mikimoto succeeded in producing a pearl, although it was not spherical. That was in 1893; it took him another 12 years before an oyster gave him his first artificially cultured – but perfectly round – pearl.

This pioneering work was done in Ago Bay, in Mie prefecture. Today, the sheltered bays of Mie account for 70 per cent of Japan's production of cultured pearls, of which about half are exported. About 10,000 people are involved in commercial pearl cultivation in Japan.

Pearls are among the few organic gems; jet and amber come from plants. The Asanos begin the process of making this most feminine of gems by growing oysters on trees. When female oysters are spawning they release thousands of larvae into the water, to come to rest where they may. The Asanos rest trees into the water in suitable locations and the little molluscs attach themselves to the branches.

"After two or three months," Mr Asano grins, "we raise up the trees and transfer the oysters to barrels which are then left in the sea for another two or three years."

When the shells are about 6cm across, they are ready for use as mother shells. Pearls can form in other shellfish, in abalone and mussels, for example, but the pearl oyster (*pinctada fucata*) is the most suitable host for cultured pearls.

"Half the oysters that are seeded die," says Mr Asano. "Of the remaining 50 per cent, 10 per cent reveal an uncoated nucleus; 20 per cent have pearls, but because of their shape are unsaleable Of the remaining 20 per cent, about 5 per cent have pearls which are excellent and it is with these that we make our profit."

With luck, by November (the optimum time for harvesting) the Asanos will have a rich harvest of soft and velvety gems from the warm sea.

■ *How to get to Ise Shima national park: from Tokyo station take the Hikari (non-stop) Shinkansen to Nagoya (two hours) and change to the Kintetsu railway for Toba (90 minutes). In Toba there is the Mikimoto Pearl Island (admission: Y600) which shows all aspects of pearl cultivation and has displays by ama diving women, who used to gather wild oysters from the seabed, but now dive for edible shellfish and seaweed. Inquire at the Japan National Tourist Organisation (JNTO) office for a visit to a family-run farm.*

■ *Buying pearls: At Mikimoto in Toba (and other specialist stores in Tokyo, Osaka, Kyoto, etc) pearls are of the highest quality and there is a luxury goods sales tax of 15 per cent on jewellery items costing more than Y30,000. No discounts are offered.*

Many other companies beside the big ones and the department stores sell cultured pearls, and it is possible to get discounts (often amounting to the equivalent of the sales tax) in the smaller jewellery shops. For the best buys, locate a shop that is a wholesaler as well as a retailer of pearls. Prices here can be 50 per cent cheaper than in department stores.

Size, colour, lustre, roundness and whether the pearl is marked or not determine the value of pearls. Generally speaking, pink pearls are rarer and more expensive.

If in doubt about the origin of a pearl, rub it across the edge of your teeth. Real nacre on natural and cultured pearls is gritty; imitation nacre is smooth.

Chance to break free of the hordes

LUXURY TRAVEL is not for everyone, *writes Michael Thompson-Noel.* First-class tickets. Executive helicopters. Private islands. Toffs' safaris. Exotic playmates. If these things make you feel guilty or uncomfortable, then you are part of mass travel – the happy, cut-price hordes.

But there are times of the year when even those of modest means and limited social achievement can discover whether they have any sort of talent for luxury travel. At present, anxious to drum up business, even the world's grandest hotels are launching seasonal offers to encourage business.

A good example is Orient-Express Hotels, one of the world's best hotel companies, which has a dozen properties. At peak times these hotels are way beyond the reach of those of common purse. But from now until late autumn, all sorts of people are welcome to try them.

Orient-Express recently produced its first-ever brochure of seasonal offers. Take the Hotel Cipriani in Venice, probably its most famous hotel, located on its own private island, Giudecca, a short cruise by private launch from St Mark's Square. I stayed there six years ago and was charged £19 for a cup of tea and sliver of fruit cake. The shock knocked me over.

Between October 10 and November 7, however, the Cipriani is offering double-room accommodation and breakfast (Sunday to Thursday nights only) at £102 per person, a fraction of its normal charge. The Cipriani's food is outstanding, but unless you are extremely rich you will find it essential to do what I did: take the launch to St Mark's and eat in town.

Other low-season deals at Orient-Express properties include: Mount Nelson Hotel, Cape Town, South Africa: six nights' double accommodation with breakfast, £307 per person, until October 31. Great views of Table Mountain. Excellent gardens and swimming pool. Reasonably eccentric (always a good sign).

The Lodge at Vail, Colorado, US: three nights' double accommodation with breakfast, £161 per person, June 12-30 and September 1-October 3. I am not a skier. I find it rather common. But last June I stayed at The Lodge and enjoyed it considerably: no snow, perfect weather, tennis, horse-back riding, walking in the mountains.

Observatory Hotel, Sydney, Australia, close to the harbour: three nights' double accommodation, £193 per person, until September 1.

Welcome Hotel & Golf Course, Stratford-on-Avon: double accommodation from £50 per person per night, including breakfast, various dates in August and winter. This is one of the nicest, best-located country-mansion hotels in England. It is a mile or so outside Stratford, on the road to Warwick, and is set in 157 acres of parkland, lakes and formal Italian gardens. Stay three nights and you get a free round of golf.

Another upmarket company that is offering seasonal discounts is the much larger Inter-Continental Hotels, which recently unveiled savings of up to 60 per cent in 39 European properties.

The programme runs from today until September 12, with rates starting at £65 at the Forum Hotel, Berlin, and £85 at the Castellana Inter-Continental, Madrid. The rate buys you a luxury double room any day of the week, breakfast for two and all taxes and service charges, payable in local currency.

In Europe, participating hotels include the Amstel in Amsterdam, the Grand in Paris, the Churchill in London (Inter-Continental's most recent European acquisition; it has five in the UK all told), De La Ville in Rome, Carlton in Cannes, Ritz in Lisbon, Athenaeum in Athens and Forum in Budapest. Rates at the last-named are from £80 per night.

Aside from Europe, discounts will be available this summer in virtually all Inter-Continental and Forum hotels in Asia and the Pacific, Latin and north America, and in parts of the Middle East and Africa.

Orient-Express and Inter-Continental are only two of a number of upmarket hotel groups world-wide. The latest Relais & Châteaux guide, for example, covers 411 independent hotels and restaurants in 40 countries.

■ *Orient-Express Hotels reservations: UK, tel: (071)-928-6000; US: (800)-237-1236; France: (01) 45 62 00 69.*

Inter-Continental Hotels: London: (081)-847-2277, UK outside London: (0345)-581444; US: (800)-327-0200; France: (01) 05 90 85-55.

Relais & Châteaux: London: (071)-491-2516; France: (01) 47 23 41 42.

Seriously Rich

Major and minor equality at Eton

***Nigel Spivey** discovers bright minds, happy faces – and not the faintest whiff of boiled cabbage*

I HAD primed myself to breeze into Eton College unawed and brashly meritocratic. After all, travelling to Eton from Cambridge is not a simple matter of changing venues for the same traditions. Cambridge has women, Cambridge wears grunge; and no one would now believe, on the face of it, that the same monarch founded both Eton and King's College, Cambridge.

For King's is, of all Cambridge colleges, the spearhead of grunge and good causes and gender awareness. At King's, they try to be as unlike Eton as they can. And since I generally admire the ideals of the dons at King's, I motored towards Eton if not with a chip on my shoulder, then at least smugly determined to advertise the fact that you can get to Cambridge perfectly well with a pauper's education.

At 7pm on a warm May evening, the playing fields of Eton were murmurous with as many as 1,000 well-heeled athletes. This was the sight which filled Thomas Gray, the unofficial Eton laureate, with melancholy. He watched the boys at play and saw only 1,000 innocents, bound unwittingly for all life's disasters and disappointments. Who tosses the googly? Who sends that frisbee shimmering over the greensward?

Unlike the poet, though, I found myself not only engrossed briefly in a game of cricket where whites were worn and handshakes exchanged, but also gladdened generally by the youth, the variety and the number of these people on the playing fields. Happy shining faces. Promise and energy everywhere.

True, the nearby unbeautiful town of Slough and the M4 are blotted utterly from one's consciousness here. It is a little paradise of wickets, walls and running streams, ringed by great old horse chestnuts. But, instinctively, one felt this to be the rightful place, and these the rightful pursuits, of adolescent boys on an early summer's evening.

Money talks. And public schoolboys, too. Later that evening, I sat down to dinner with some of the masters and the boys; and while I blundered along with my inquiries (*"What is the Wall Game all about?"* and "Can you play Fives with four?"), I became aware that with these boys, who were lower sixth (or whatever Eton calls it), there was no need to condescend. They had wit, they had charm. They strung together sentences without the *yeah, right, kind of, sort of, er, basically* inarticulacy which characterises most modern youth-speak. You would happily have had their company every night of the week. I was not sure whether to envy or pity those who had to keep these bright minds occupied in the classroom.

Dinner was cooked by a member of the fair sex, who in Eton argot is known as a dame. I never saw her, but understood a dame to be some sort of matriarchal presence prevailing at each of the 25 constituent houses of the school. The house I visited seemed rather elegant: not bestrewn with bachelor mess, and not a whiff of old sports socks or boiled cabbage.

More well-spoken Adonises knocked about on a croquet lawn outside. The absence of girls did not appear to have stunted their growth, or turned them into rude uncivil brutes. I gathered from the masters that Eton has no plans to admit women as pupils and, against my own expectations, I found myself applauding that resolve. This school is about schooling. Sex can come later.

There is no need to relate details of the lecture I gave to one of the school societies. It is enough to say that no speaker could have wanted a better-informed or more sparkling audience. Again, I was struck by the confidence of these Etonians. And their manners: each one appeared to have mastered the art of being polite without aloofness, charming without unction.

The dress code of the evening was smart by most standards, but casual according to Eton rubric. The full sartorial glory of the place was not revealed until the morning when I stepped out onto the High Street and fell in momentarily with what appeared to be the dawn end of a society ball.

Then I registered that these jaunty hedonists had files and textbooks tucked under their arms. Bunter Major, Flashman Minor, Widmerpool Minimus – all rendered equals, of a sort, by their white tie and tails.

The master who had been my host waved me off. He, too, was in white tie: a scholar dressed as nattily as any courtier. I had heard him rise at 6am to begin his marking and preparation for the day. And I had realised already that the elegance of manners at Eton presented a deceptively fogeyish front to a system of education based on straight hard work – a system committed fundamentally to producing mature and lively minds.

In short, I drove off as an Old Etonian *manqué*, a troubled meritocrat. So money *can* buy you good grace. So shortage of cash is *not* the necessary foundation of a well-built character. No wonder Eton oozes such confidence.

There is no need to change, even when all around is changing. For Eton is, in the best sense of the phrase, an island of class in a classless society.

Ship ahoy: afloat on a sea of oil money

***Keith Wheatley** investigates the market for luxury yachts*

Mega-yachts in harbour at St Tropez: "No one actually needs these vessels," says top designer Jon Bannenberg

THOSE WHO sell luxury goods believe that money never vanishes: it simply moves on. Customers may change but the overall demand remains. Take super-yachts, for instance.

"The market has shifted from British and American owners," says Jonathan Beckett, a partner in yacht-broker Nigel Burgess which sells more of these largest and costliest toys than anyone else. "It touched down briefly in Japan, but I don't think life at sea fits the recreational pattern of most Japanese. Some of the brokers thought of opening offices in Tokyo, but I'm glad we didn't.

"Then, the market was briefly with French and Italian owners, but we're now back with the Middle East plus a resurgence of interest from France and Holland. Indeed, we're selling boats to younger men in the Middle East. Quite often, their fathers bought yachts 20 years ago in the first rush of oil money and they've grown up with it as part of their lives."

In spite of the recession, Burgess had its best year ever in 1992 and sold seven "large yachts," a term owing as much to cheque-books as waterline length or tonnage. Such vessels cost \$5m-\$10m; \$20m would be unusual but not spectacular.

Yachts such as the liner-sized *Trump Princess* – owned in the past by both the New York property speculator Donald Trump and Arab wheeler-dealer Adnan Khashoggi – pass (on paper) through brokers' offices. So do glorious restoration jobs such as the 1929 *Rosenkavalier*, 317ft of Weimar glory built by Friedrich Krupp.

Its original owner, yeast magnate Max Fleishmann, followed the fashion of the times by copying the lines of an 1890s' steam yacht. Although it looked an antique, it was propelled by 750hp diesels of the kind that went on to power Hitler's navy.

The new owner is Andreas Liveras, a British-based Greek Cypriot businessman. The yacht's satellite communications and accommodation are as modern as those at any international hotel but Liveras has gone to just as much expense to restore and preserve the original engines as if they were Old Masters – which, in a way, they are.

Is the market recession-proof? Are these the extravagant toys of men – the owners are always men, although the boats are often named after wives or daughters – so rich that the ebb and flow of the profits cycle is nothing to them? Probably not.

After a peak in prices during 1989, the whole market seized-up for a year during which almost no mega-yachts was sold. They sat in the harbour at Antibes, France, like white tombstones. Vessels once used for non-stop socialising were tended by just a solitary shipkeeper, pumping the bilges and polishing the brass work.

Designer Jon Bannenberg, the most successful man in his field, was an exception; new-build projects for yachts costing more than \$30m continued to keep his office at Chelsea, west London, working flat out. "Cars and trains can't be made individually any more," he says. "Yachts are the last way of creating a totally unique environment that you can travel in."

But Bannenberg – an aesthetically fierce man who admits to giving shipyards, and even clients, a hard time – admits the business is heady, even dangerous, from a commercial point of view. "No one actually needs these vessels. You need only four or five people to decide not to build and you haven't got a business."

After the Gulf War, there was a distinct pause in orders. "We hung on and ran the company very tightly. We never make the mistake of thinking we have the right to live like the clients."

What owners appear to want, more and more, is boats that can be lived-on comfortably for weeks at a time. If the ultimate modern luxury is privacy and seclusion, the super-yacht offers it in abundance. Faxes, modem-linked computers and satellite phones mean that keeping contact with an office presents no problems.

William Simon, a former US Treasury secretary who now operates a huge investment business, runs his operations for several months each summer from his 110ft sloop *Freedom*. One year, it cruised the entire South Pacific while the boss continued to buy and sell on the New York markets.

Although aerials and satellite domes can look ugly on a sailing yacht or a restored Edwardian classic, there are ways round the problem. Recently, Bannenberg created a false second funnel for an older yacht undergoing stem-to-stern restoration. Inside were all the external electronics for the communications.

Will yachts continue to get bigger? "Ten years ago," says Beckett, "40 metres was a big, big yacht. Now, the benchmark is 50m-55m. But there will be a tailing-off. For one thing, costs increase proportionally to displacement, which rises exponentially with length. Second, if you build something 80m long, you are virtually stuck on a floating island. Only three or four desirable ports in the entire Mediterranean are open to you. Not many of my clients want to be anchored three miles off St Tropez."

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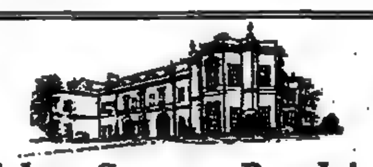

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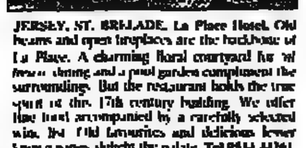

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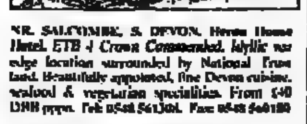

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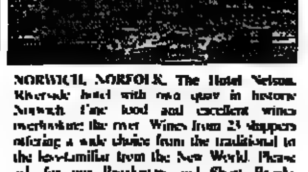

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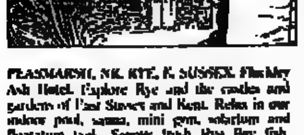

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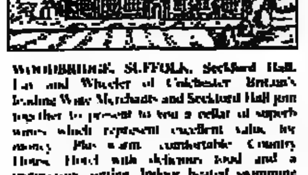

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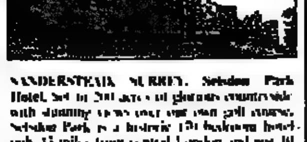

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***Lucia van der Post** finds that fat farms now offer a lot more than lettuce leaves and lemon juice*

THIS MAY seem perverse and it almost certainly sounds spoilt, but I have spent years turning down blandishments to become thinner, more beautiful, less toxic, more toned, to have my crystals dispersed, be wrapped and pampered, pummelled and hosed down.

I've said "No" to invitations to almost every fat farm in the country. You would need to be very rich, very depressed or very daft, I reasoned, to want to put up with the boredom, the lettuce leaves, the fatties in shell-suits, when you could perfectly well be dining on lemon juice and lettuce leaves in the comfort of your very own home.

But I was wrong. Fat farms, these days, are no longer for fatties. Dear me, no. Fat farms have metamorphosed into health spas or hydros (terminology is all) and these days it is stress, not flab, that brings most of the customers. The days when they revolved round nothing but calories, callisthenics and cellulite have gone and though you would never confuse it with eating at Quaglino's, you certainly will not starve.

Which isn't to say that visiting a health farm is entirely stress-free. What, for instance, do you wear? Forget Jane Fonda; health spa chic is summed up by a luscious, thick, white towelling robe. Not that everybody knows this. If you are one of those sensitive souls who feels mortally affronted by the sight of a shell-suit (I know this may sound odd, but believe me this would include almost the entire fashion fraternity) then a health farm is not for you.

And what on earth do you wear for a massage, the massage virgin may want to know? (The same towelling robe, which you then discard and nothing else it seems, but modesty is preserved by a lot of very intricate play with towels, practised as skilfully as if it were an ancient branch of origami, as first one limb and then another is extracted from beneath the towels.)

And does the lady with the seaweed wrap require you to take everything off? (She does, she does, and here there is no scope for subtle towel play as you are painted from neck to toe in fishy-smelling mud so you just lie back and think not so much of England as of the wonderful things it's doing for your cellulite).

A health spa, you soon learn, is another country. Think of it as going abroad – it helps if you speak the language and adapt easily to strange food and customs. Conversation is strange and limited – not everybody is at their wittiest when wearing no make-up and nothing but a towelling robe in front of total strangers – but you soon get the hang of the lingo.

Strange-sounding remedies . . . holistic massage, aromatherapy, G5 massage, cathiodermie, seaweed wraps, flotation tanks, full body exfoliation, high pressure Blitz water jets . . . become the stuff of daily chat and it isn't long before one is quite relaxed about looking daft.

Most health spas have evolved a formula that is roughly the same – they are usually in large country houses with gravel drives that crunch nicely as you drive up. New "wings" and "spas" have usually been added on to cope with the ruthless accounting these projects involve. Staff ratios are high and at their best they are as comfortable as a luxurious hotel. Most never escape the faint whiff of the hospital or the convalescent home as rafts of white-clad personnel wander round brandishing sphygmomanometers and seeking to discuss one's "medical history."

Most are set in lovely grounds (my husband, for instance, loved the fast early morning walks at both Champneys and Grayshott Hall because of the real beauty of the landscape), all have pools and gyms, libraries and quiet-rooms.

You should check what is on offer carefully – most include one massage a day, use of the gym, the swimming pool and sauna as well as all sporting facilities and classes in the basic day rate charge. Beauty and special treatments, which are many, various and full of alluring promise, are usually extra.

YOU soon learn that serious body-care costs serious money. You could perfectly easily run up an extremely large bill in no time at all. At Grayshott Hall, for instance, I whirled from my daily massage (included in the daily rate) to a "stimulating G5 massage" to a seaweed wrap, a "Minimise Your Middle" class, fitting in two tennis lessons and a "Step to The Beat" class in between, all of which added up to £485 for two days and nights. My husband, though, who had just one treatment (the Flotation tank – "like lying on a lilo, except there is no lilo") totted up just £342.30.

Some are more spartan than others. At Grayshott Hall, for instance, there is no alcohol on the premises at all which could come as something of a shock to some (it certainly would have done to me if I had not thought to bring my own supplies) whilst at Champneys they will sell you half a bottle of wine a day.

Though much that is on offer is the same, the atmosphere and the clientele varies. The designer set seemed to gather at Champneys, old money goes to Forest Mere and Henlow Grange seems to have a nice little niche in the celebrity market while Grayshott Hall has a good raft of professional people.

All, however, are agreed on one thing – the new approach to fitter, healthier eating means you need to eat plenty of starchy foods such as potatoes, rice, pasta and pulses, a moderate amount of lean protein and very little fat and refined sugar. Salad dressings, we learn, can be made from lemon juice, garlic and lots of herbs. Sauces can be made from low-fat yoghurt, meat ("never," said Linda Brewer, who is in charge of La Jalousie's Spa, "eat a portion bigger than the palm of your hand") should have skin or fat cut off.

The end goal these days is much more awesome than merely dropping a few pounds - nothing more nor less than "to establish long-term healthy life-styles". "Life-style counselling" (new buzz word) is available for those who can face it.

Holistic, new-age chat is everywhere – flotation tanks, yoga, reflexology, holistic massages are all the rage. The treatments are lovely but I could have done without the psycho-babble that goes with it – it's when they feel your toes and tell you that they have glimpsed your soul that I start to crack. Reflexologists, in particular, have a strange obsession with fallopian tubes and ovaries whose current state they relay, acting rather like radar, to the mummy on the table.

I loved the tennis (the clinic at Champneys and the coaching at Grayshott), loved the exercise classes, adored the massages, and by the end felt pampered, squeaky clean, silky soft and so laid-back I wasn't sure if I would ever make it up again. It was a wonderful chance to try out a vast range of treatments, classes and activities and see which ones I would go back for. I enjoyed the fact that the food on offer was fresh and ample and calorie-counted so you knew what you are downing but gloriously bereft of those nasty fats and sugars.

A weekend is not long enough for dramatic transformation but it lifts the spirits, sorts out the impurities and encourages the will-power. I have become rather hooked. I think it will be Eugenie-les-Bains next – a combination, so they tell me, of Michelin three-star restaurant, low calories and health spa. A perfect rounding of the circle – you work out in the spa in order that you can put it all back on again in the restaurant.

Of course, there are those who say if they are going to spend these kind of sums then they would rather spend it on a truly sybaritic long-haul holiday, somewhere like, say, the Caribbean . . . Ah well, then I have just the place for you. Jalousie, a lush, green plantation in St. Lucia where outside your very own cottage (with very own patio and plunge pool) you fall asleep to the croaking of the tree frogs and the high-pitched whirr of the cicadas and you wake to the palms waving and coconuts crashing. All around are mangoes and avocadoes, blue skies and choices . . . choices . . . choices. Quite stressful, really.

Shall I go to aerobics at nine (run by the delicious Leslie whom, it seems, everybody always wants to take home with them) or have a bash at scuba-diving? Shall I see whether my water-skiing technique has survived a three-year gap or go for something more relaxing, like a seaweed wrap? Then there is the pedicure, the manicure, the tennis lesson with Barum and the round-robin tournament at five all to be fitted in.

Jalousie is a holiday resort and a spa all in one – every one of the four restaurants offers a low-calorie menu but you do not have to have it while pool lizards need never make it to the spa. Use of the gym, the tennis and squash courts, the pool, the water sports and the classes as well as all meals, snacks and drinks are included, just the special treatments and a few special activities are extra.

Most of us, however, were there for the action. *Wedding and Home* wanted her scuba-diving certificate; the *Evening Standard* was on a serious keep-fit binge (aerobics, then work-outs in the gym followed by intensive sessions on the running machine); the *Express* was into grooming and *GQ* was there to lend tone in his cream linen bespoke suits and battered panama.

As for me a sliced second service, thinner thighs, neater waist, smaller me was the aim and though that is pushing it in just four days, I have nearly mastered the serve and there really is marginally less of me. I am addicted to the running machine, have come away with five different recipes for low-calorie salad dressings and hope one fine day to be back.

It is, of course, a long way to go to get fit but you could not hope for a more beautiful place to do it in.

Most such places have one serious drawback (apart, that is, from the price) – to be truly at ease you need to put your mind on hold or tell it to crash out. Forget Proust. Resign yourself. You are not going to read *Decline and Fall* this time. Then you can just relax and enjoy it.

■ Champneys at Tring, Wigginton, Tring, Hertfordshire HP23 6HY. Tel: 0442-873155. Now selling week-long time-shares but single nights for a single person start at £230, a week at £770. Treatments range from £15 for a manicure, £35 for a cathiodermie to £57 for a complete eye, neck and face Super Cathiodermie. A day at Champneys with an aromatherapy massage, a spa bath, and use of all the facilities can be had at the Meridien in Piccadilly, for £80.

■ Grayshott Hall, near Hindhead, Surrey GU26 6JJ. Tel. 0428-604331. Prices start at £154 per person per day. Treatments start at £6 for eyebrow shaping, £10 for a shampoo and set. lifestyle Counselling is £35, a cholesterol screening, £14, a tennis lesson, £20 and a holistic massage, £40.

■ Jalousie Plantation lies on the south-western tip of St Lucia, one hour's drive from Hewanoora airport but the mailing address is 16 Bay Street, Soufriere, St Lucia, W.I. BWIA has an economy return fare of £685 and flies there direct three times a week. Daily rates start at $200 per person for a double suite, $230 for a cottage. Caribbean Connection does a 10-day package from £1,617 per person all inclusive and a 14-day package for £2,097 per person, Tel: 0244-341-131

In search of the body beautiful: all you need is cash and time to spare

Mud, mud, mud, glorious mud, there's nothing quite like it

How to fight evil of cellulite

MENTION cellulite in medical circles and a look of quite exquisite vagueness crosses the countenance but I have not met a woman yet who does not know exactly what it is. It is fat that is more than fat. It is the fat that tends to gather round thighs and buttocks, that wrinkles and dimples and looks like orange peel. Most women dread its arrival as they might the plague. Its root cause is imprecisely understood but the consensus is that it is caused by a combination of hormones (which is why it is almost exclusively a female complaint), sluggish circulation, sedentary life-style and accumulated toxins.

There is no simple way of dealing with it as so many factors are involved. A good diet, replacing tea and coffee with water, coupled with regular exercise is a start but most cases need more specific help. Here are some of the most encouraging solutions.

■ Grayshott Hall's "Stimulating G5 massage" (£17) was very aggressive and not very enjoyable and I was never going to have anything to do with it again until I looked at my legs. They were distinctly better. It made more difference than any other treatment. It is available in many health salons including the Hawkins Clinics in Putney and Wimbledon where a course of six treatments (and sauna) costs £72.50.

■ Aromatherapy is, by contrast, marvellously enjoyable, involving a massage with heavenly-smelling oils. Aromatherapy Associates, 68 Maltings Place, Bagley's Lane, London SW6 has treatments aimed at shifting cellulite and the consensus is that it really does help by breaking up fat deposits, encouraging lymphatic drainage and improving the skin texture. A course of five costs £166.25.

■ Most dramatic of all, most expensive and the only truly medical treatment is Cellulolipolysis. It is a non-surgical treatment involving transcutaneous electrotherapy. Although I haven't tried it I was much impressed by the evidence of an independent German doctor who says it is the only treatment that really deals with the problem. Six treatments cost £820. Contact The Association for Aesthetic Medicine. Tel: 071-580-8982.

L v d P

Seriously Rich

As They Say in Europe/**James Morgan**

Tales of honest corruption

MY OWN contacts with the seriously rich have been of a fringe nature. I have brushed up against those who have brushed up against the fringe members of that group which graces these pages. They are the people who have often become enormously wealthy in their own right but have also helped to enrich others. They are the honestly corrupt.

There is a crucial point that has been missed in the reporting of current Italian scandals. Its most central characteristic is that Milan is *Tangentopolis*, or Kickback City. Milan is also the richest sub-region in the whole EC. Many will deduce that it is the city's wealth that has *made it the centre of the corruption* bringing Italy to its knees.

A moment's reflection should dispel that illusion. Corruption bears little relationship to the availability of money; poor societies are more corrupt than rich. And in Italy there is the reality of Naples to offset the example of Milan.

There is corruption à la milanese and there is the *napolitano* version. One works, the other does not. Some years ago Italy rewrote its national statistics to achieve the *sorpasso*, the overtaking of Britain to become No 5 in the world's GNP stakes. The justification was the uncounted value of the country's black economy. And corruption is part of that seamless black fabric.

Honest corruption can ensure that industry grows without being hampered by pettifogging restrictions. Honest corruption means that a bribed official stays bribed and does not sell his services to another bidder. Honest corruption can ensure substantial savings on the cost of expensive law enforcement agencies designed *to stamp it out*. And it provides a means of permitting the super-rich to spread their wealth around a bit.

There are two sentences I recall from fringe members, or at least spokesmen, of the group of which I write. The first was enunciated by a Swiss banker 20 years ago who told me: "Nobody who has never been to prison can be a success."

At the time I was inspecting a Mediterranean property development which he had backed. It was before the flowering of the time-share movement and was based on offering north European investors a free week a year in the development plus "interest" on a fixed-term loan which was geared to the rental income generated. The bank helped individuals (subject to exchange control in their own countries) to obtain their money to invest in the project.

A problem would arise when the loan matured. I wondered how it would be paid off or replaced. That was when the banker smiled and pointed out that the investor would be encouraged to maintain his stake because the alternative would mean his national authorities would be given details on how he had illicitly transferred the initial investment. The scheme helped both to unleash large sums of productive medium-term capital and to end the iniquities of exchange control.

The other seminal phrase came at the end of an interview about the Latin American debt crisis I conducted in 1988 with a local central bank official. When I had turned off the tape recorder, I said: "Now, come on, how much of the money was stolen?"

"Senor, the money that was stolen was invested better than the money that was invested." We now have the evidence of the truth of that judgment: long-term gains were secured by ensuring that Latin American governments were not able to waste the money that had been so improvidently borrowed.

The peoples of eastern Europe were saved by the men and women who became the modest super-rich of their societies during the long night of communism. These Ivan Boeskys of socialist arbitrage would leave Warsaw railway station with *nothing* but a few pairs of jeans, and return from a fortnight on the Trans-Siberian with caviar, samovars, and what appeared to be Chinese schnapps. These would be sold for dollars and the process would start again from a higher base.

Free markets dealt these operators a savage blow. The young man who bought deutschemarks legally could, for a few weeks, make a fortune driving to West Berlin and returning with *half* a ton of wurst two years past its sell-by date.

But he was soon overtaken by improved consumer information and the spread of open markets. He found to his horror that those officials who had made his *life* so difficult in the past were becoming the new rich of the "economies in transition." The men who had constructed a ludicrous system which survived only thanks to those who bent the rules now became the lords of spontaneous privatisation.

Today the nightclubs of eastern Europe are no longer populated by the enterprising youngsters who almost made their societies work. The paunchy *middle-aged* in dreadful suits, wrists laden with gold jewellery, have taken their place. They can afford apartments in Paris and London. They have made off with bits of state-owned factories which they once managed. As a Polish scientist told me: "They do not even know how to use a knife and fork properly."

In the eyes of western experts these are the new "honest corrupt" of the transition process. The test is – will they make the system work?

■ *James Morgan is economics correspondent of the BBC World Service.*

Ah yes, the dreamy, satin-textured '66

***Jancis Robinson** recalls a sensational, ground-breaking tasting with expert winemaker Jean-Claude Berrouet*

IN MY nearly 20 years as a wine groupie I have been to many seriously grand tastings. An over-comprehensive look at the 1959 claret vintage springs to mind. Much more clearly than any single wine, I remember an Irishman whispering as we filed solemnly into a chamber full of tasting samples: "If only we could actually *drink* one of these wines with dinner tonight."

At least I remember the glory of the Ch Latour à Pomerol among the vast 1961 tasting I attended (playing hookey from the launch of my own television series in order to do so). Claret is the most common tasting subject because it is a long-lived wine produced in quantity, and submits neatly to being divided "horizontally" (same vintage, different châteaux) or "vertically" (same château, different vintages). My tasting file is stuffed with purple-spotted notes on such events.

But it was not until last month that I came across a tasting of the world's most expensive claret, Ch Petrus, £800 a dozen bottles in a dire vintage, several thousand in a good one. Perhaps this is partly because the British, so few of whom can afford it, tend to look very, very slightly down their noses at it.

It is Pomerol, for a start, a parvenu that affords dangerously instant gratification. No pain is associated with tasting fleshy young Pomerol, which does not suit the masochist brigade reared on tannic young Pauillac and St Estèphe.

For this reason London is not the most likely place for a Petrus tasting – but I hardly expected to come across one in the backwoods of rural France. In fact, seasoned observers like me do not expect to come across consumer wine tastings of any sort anywhere in France outside the capital. Wine tasting is not the leisure activity in France it has become for British consumers.

But here it was, lying in the reception of a smartish hotel in the depths of the French countryside, *where* the average annual income must be well under FFr100,000 (£12,000) – an application form for tickets, at FF1850, for a forthcoming tasting of Petrus. Seven vintages back to 1945, if you please. And the very night before I was due to leave.

The organiser of this unmissable event, tied in to an auction also held at the hotel which I still kick myself for missing, is Michel Fauveau, who works on Toulouse's huge aerospatial campus. (When I asked him what he did, he told me: "I observe the Earth".) An obvious obsessive, he has transformed his obsession with wine into the Club Oenophile du Midi (tel: 61 27 37 69 or 62 24 43 34).

The organisation of the event was fascinatingly different from the British norm. For a start, the application form included the question: "Are you familiar with *wine tasting?*" which I *cannot* imagine being asked in Britain. Nor can I imagine Fauveau's British counterpart demanding verbal input, as in the classroom, from tasters who had paid more than £200 for the experience.

And I would not have thought that many Brits would have dared stroll into the tasting room with a cigar, as the auctioneer did. Yet the average age of the 23 assembled tasters (for two bottles of each vintage, a generous serving) was impressively low, partly reduced by a member of the French national football team and his entourage.

The tasting was presented by a noted expert, in this case the Petrus winemaker Jean-Claude Berrouet himself, who shares with his employer, Christian Moueix, a sensible view of wine's place in life. He pointed out somewhat ruefully that wine tasting *as such* is something new in France, something "très Anglo-Saxon". The point of wine, he rightly stressed, is to be *drunk*, preferably at a table with food.

And that was another important national distinguishing mark. You can spend a lifetime at wine tastings in Britain before anyone mentions food, but at this early evening tasting, Berrouet and most other commentators suggested dishes – increasingly specific dishes as dinnertime approached – to go with each wine.

With the 1945, in decline and smelling of "*a nice 18th century manor*," a tableful of local doctors proposed *ris de veau aux truffes*.

It was hard to discern any national variation in taste, but since no activity is more subjective than wine tasting, this is hardly surprising. There were considerable variations between the bottles in the older vintages, but the 1966 that reached the table I shared with Mme Fauveau was a dream: seductive, tannin-free, headily perfumed, satin-textured and much more concentrated than the bottle of the often vaunted 1967.

I was also bowled over by the 1982, which is intense and meaty and has many years to go, and the 1962 (made, as Berrouet was careful to point out, when there was not a single oenologist, or qualified winemaker, in the Pomerol region) was also fabulous, tasting provocatively close to its peak.

The rich, almost porty 1971 with *its notes of chocolate and coffee* is another vintage the seriously rich should be thinking of clearing out of their cellars, while the 1975 was a delightful surprise, the vintage's notorious tannins well in retreat.

For me, this had been a sensational tasting, breaking new ground in subject and location, but I had to wait just 48 hours before being put in my place. At a double magnum dinner back in London, admittedly designed for seriously *rich wine collectors*, I met a Belgian who told me that at *his* Petrus tasting he had not only had all the vintages, but all seven bottlings of the *ne plus ultra* 1947.

It's better being wealthy in winter

*Even the rich have to make do with jars of truffles at this time of year, says **Giles MacDonogh***

IT CANNOT be so much fun being rich during the summer. True, you can take off to those exclusive resorts which take pains to exclude the hoi polloi, but from *a gourmand's point of view*, far too much is cheap.

This is not the case in winter, when the poor man's money goes on fuel. Not for him the pungent game birds of the autumnal shoots, the precious truffle unearthed from the frozen soil, the tropical fruits flown in from farmers basking in the sun on the other side of the globe.

In the summer we may all live a little off the fat of the land: cheap strawberries, fresh *asparagus, peas and beans;* there is spring lamb on the butchers' stalls; the first gooey cheeses appear in the market made from the milk of cows, ewes and goats nurtured on grass for the first time that year; even wild salmon comes down in price so that it begins to nudge the farmed stuff and tempts the brave man to splash out on the real thing.

Some things are actually *free*. Even in London bramble bushes yield delicious blackberries *and for those with* a keen eye there are masses of wild mushrooms to be gathered in the woods.

A few things, however, remain gruesomely expensive. One of these is caviar. The most expensive caviar is beluga and in May the first of these little whales are culled in the Caspian Sea.

In the old days they were transported across the Baltic on ships and reached Britain more than a fortnight later. Now the best stuff arrives in refrigerated lorries or is bought in Germany: the main market for both Russian and Iranian roes. This year, for the first time ever, W G White had its first beluga flown in for a lavish press breakfast at the Dorchester Hotel in London.

The importance of this gesture is to convince an increasingly sceptical market that these expensive eggs are still worth the price. There has been a lot of talk of pollution in the Caspian and with the break up of the Soviet Union there has been an awful lot more dodgy caviar shipped to Britain in the bags of Polish sailors and Iranian airline pilots.

How good the caviar was in the first place is open to question, but a more important issue is how well it was stored. The best caviar was always sold to the main dealers for hard currency. Only the second quality was sold on the domestic market.

There is also an obvious need to keep fresh fish in perfect condition if the consumer is not to place his health at risk. With much of the caviar currently on offer this is not proven. Buy from reputable dealers only.

Foie gras is another rich man's pleasure and one which is often mentioned in the same breath as caviar. This was also seasonal: you extracted the liver when you killed the goose – at Christmas.

Foie gras is easier to obtain out of season these days: firms such as Georges Bruck in Strasbourg and Rougie in the Landes provide goose and duck foie gras both in tins and in fresh terrines. The UK is still well behind France, however, in the availability of fresh foie gras. Few but the very top shops go to the trouble of making their own terrines.

Foie gras brings truffles to mind, but truffles are also seasonal. The first whites are dug up after the November frosts in *Piedmont*. The blacks come in around Christmas. The season is a short one, and it is over by the spring. Even the rich have to make do with jars of truffles at this time of the year, which generally lack the inimitable pungency of the fresh tubers. Your best bet is to buy frozen.

Caviar time for chef Willi Elsner, of the Dorchester Hotel

Of course wild mushrooms are an alternative, but for the meaty cep you will have to wait for the autumn. You may find consolation in girolles (or chanterelles) for the time being. These are at their best during the summer months providing the weather is not too dry.

And still the shopping basket is only half full. Acorn-fed, Iberian black *pig* ham is at last available in London, something which the Spaniards used to keep very much to themselves. You may buy the great *poultry* of the French Bresse, but you will have to wait until Christmas before you may find a capon.

Minute phials of balsamic vinegar change hands for fantastic prices and some of these make their way over here. Olive oils are scented with white truffles and ceps. Miniscule pots of saffron contain the stigmas of thousands of crocuses. There are still gulls' eggs to be had, although you will have to hurry as the season is drawing to a close. And Jamaican Blue Mountain coffee? *Or single domaine Darjeeling* tea? Yes, there are still a few paltry pleasures to be had in the summer while you muse on the greater glories that come with the shortening days.

■ Caviar: W G White will supply direct (tel: 081-992-8784) or from Harrods or Fortnum & Mason. A meagre 50 gm pot will cost £68 from Harrods and £78 from Fortnum. Harvey Nichols obtains its caviar from Princesse d'Isenbourg and charges £45.79 for 50 gms of beluga. The same caviar may be ordered direct for £3 less (081-960-3600).

■ The most expensive foie gras in Britain is Rougie's Mille Feuille goose liver with 6 per cent truffles at £70.50 for 400 gms. This is available from both Harrods and Harvey Nichols. Harvey Nichols does fresh foie gras from Rougie at *£50.40 per lb. Harrods and La* Boucherie Lamartine (071-730-3037) make their own terrines: Harrods' costs £14.95 a quarter, *Lamartine's £48 per lb.* Both sell uncooked livers should you wish to make your own.

■ Frozen truffles can be bought from Harrods (one week's notice) for £28 per oz – *otherwise you will have to buy* jars. Lamartine's are £85 for six blacks. Fresh girolles are £18 per lb from Harrods, fresh morels £6.50 a quarter from Harvey Nichols.

■ Black pig ham is £13.75 a quarter from Harvey Nichols, Bresse poultry £6.35 per lb from the same source or £5.50 from Harrods. Last Christmas a 7lb Bresse capon cost one Harvey Nichols customer £150.

■ *Harvey* Nichols sells 100 ml bottles of 12-year-old balsamic vinegar for £32.45, Harrods has some strange German wine vinegars including an *Eiswein* vinegar at £36.90 for 25ml.

■ Truffle oil costs £4.95 for 55ml from Harvey Nichols. Saffron is £1 a gm from Princesse d' Isenbourg, which flavours its foie gras with it – to interesting effect.

■ Gulls eggs are 95p each from Harrods. Blue Mountain coffee is £18 per lb from Harvey Nichols and Bloomfield Darjeeling costs £9.90 a quarter from Harrods.

Seriously Rich

Hogarth's view of the South Sea Bubble, which was disastrous for some - rather like being a Name at Lloyds today

Greed: a dangerous passion

*Lessons from the South Sea Bubble are still pertinent, says **J.H. Plumb***

FLIGHT or suicide? Nadir jumped his bail, Maxwell drowned himself. It was ever so. Old Craggs, a major player in the South Sea Bubble, took an overdose of laudanum. Robert Knight, the secretary and lynch-pin of the company, who bribed members of the Commons and peers of influence at Court with the *sang-froid* of a man who has lost all sense of reality, took the other way out – he fled to the States of Brabant, not quite so difficult to extradite from as North Cyprus but extremely complicated. In those days there was no plea-bargaining, an American invention that half-saves the fraudster.

This reprint of Carswell's book, first written in 1960, has been triggered by the discovery of a small cache of documents dealing with the British government's effort to extradite Knight. Although the British government went through the motions of requesting immediate extradition, secretly it begged the States to keep him, even persuading them to fake an escape from Antwerp when he was elsewhere. It is a splendid farcical end to the South

THE SOUTH SEA BUBBLE
by John Carswell
Alan Sutton £18.99, 208 pages

Sea saga of 1720-21, but Carswell thinks it to be of more importance than it was. He sees the hand of Robert Walpole everywhere, but it was Townshend, *not* Walpole, who was responsible for foreign affairs. In 1721 the firm was still Townshend and Walpole, not vice versa.

But, as ever, for those who could bear the strain of exposure (and several could not – Stanhope had a heart attack and Sunderland, although found not guilty, succumbed shortly afterwards), the bulk of those involved in the South Sea Bubble frauds survived. Their assets were confiscated. Their holdings in public companies could not be denied but concealment of others proved easy enough and most of them lived on in comfort and not penury. Even Blunt who, after the Knights, was the most guilty of men, for he had corrupted the Chancellor of the Exchequer, Aislabie, got off not lightly but at least afloat.

There was one difference between these fraudulent men and those who have followed them down the centuries. The South Sea Bubble involved ministers and washed around the Court and the Royal family. One good thing the Bubble achieved was to frighten, for ever, the politicians; ministers of the Crown have, since the Bubble, been very circumspect. As for the City, on it goes!

In spite of some distortions and errors, the book is a very valuable one and still the best account of the South Sea Bubble. It would make good reading for any city financier: the dangers inherent in the passion for money, in many ways more exciting, more illusory and more destructive than sexual passion, can corrupt quite suddenly men of ability and judgment whose ambitions and opportunities would seem to be satisfied. But greed, like lust, stokes its own flames.

England's emerging financiers – promoters of schemes rather than traders, the stockjobbers whom the landed gentry feared, hated yet longed to use – were of short experience, as indeed were those in France who were embroiled in John Law's Mississippi Scheme at the same time. And, of course, there were few rules. Insider trading was in no way illegal; in fact there was little or no control of any kind of chicanery and the judges took the robust view that if the punter was fool enough to be taken in, then it was not for the law to protect him.

In the end, the South Sea Bubble proved to be not very grievous in its results – salutary perhaps for merchants and, of course, disastrous for some men, women and families – rather like being a Name at Lloyds today. All were not losers. For those of fine judgment it made millionaires and gave London one of its great hospitals – Guy's, built on Bubble money. Even those whose estates were rightly confiscated, in the mysterious ways of high finance somehow flourished. Money, like dung, tends both to stick and to fertilise. The younger Knight was soon back in the House of Commons and ensconced in a vast Warwickshire country house and an Irish peerage followed. Shame has never been a very common emotion in the City.

Carswell is at his best when describing his rogues' gallery of punters. He has a nice eye for human weakness and is not over plagued by a sense of social morality. After all, in the South Sea Bubble it was largely the seriously rich who bled the merely rich. True, a few moderately rich men like Sir Isaac Newton burnt their fingers, and it should be remembered that those who bought their stock and sat on it come hell or high water did quite nicely. Such prudence is still practised by a few when the market goes wild.

I feel, however, that there is still a book to be written about the South Sea Bubble, but until it is written Carswell must be kept in print. In spite of errors of scholarship and of judgment, it is a splendid dramatic tale which rings bells and teaches wisdom.

Distressed governesses

*Jane Eyre was the exception not the rule, says **Anthony Curtis***

"READER, I married him". According to *The Victorian Governess* – an informative account of this much exploited member of the domestic workforce – frequently she did not succeed in marrying anyone. Jane Eyre was the fictional exception, not the rule in real life.

At around the age of 40 – the normal cut-off point for enforced retirement, but it could easily come when a governess was still in her early thirties – she became an isolated old maid, worn out by her exacting years ministering to the spoiled brats of the aristocracy or of the newly rich merchant class. She would be put to grass with nothing to live off except her meagre savings, the financial support of her own family and such handouts as her former employers might send her from time to time. Her likely fate was a home for distressed gentlewomen or the dreaded alternative of the workhouse.

Much more typical of the conditions and expectations of the average Victorian governess were those endured by sweet-tempered, God-fearing Agnes Grey in the novel of that name by Charlotte's least famous literary sister. We observe Agnes in two equally awful posts before she finally escapes into a happy marriage with the curate (the optimum end to the governess story).

It is from Anne Brontë that we receive a full picture of the daily round of humiliation experienced by someone who by birth and up-bringing was a lady but who could never rely on being treated like one. Agnes became a governess at 18 and was, like her creator, a clergyman's daughter, motivated by the spirit of adventure but also by economic necessity. In that respect she was very typical.

Kathryn Hughes documents the "plight" of the governess with a great deal of material drawn from contemporary social history, fictional portraits, memoirs of former governesses and advice books for aspiring governesses that abounded throughout the Victorian era. As well as the three Rs the governess was expected to provide her pupils with a rudimentary understanding of French and German, and also tuition in music. To be expert in the latter accomplishments increased her marketability and could help her to command £15 to £20 a year for the novice to an exceptional £80 to £100 at the linguistic and musical top of the scale.

Though she played a key part in a prosperous entrepreneurial society, freeing its adult members from day-to-day parental responsibilities, the governess totally lacked any economic or social clout. However great the demand for governesses

THE VICTORIAN GOVERNESS
by Kathryn Hughes
The Hambledon Press £25, 256 pages

might become, it was always grossly exceeded by the supply of new ones coming onto the market. The new governess soon discovered that her status was painfully ambiguous – a gentlewoman, a mother-substitute, employed on account of her refinement and breeding, but just as much at the mercy of the whims of all the family as were the servants below stairs.

The most famous governess of the later period – the narrator of *The Turn of the Screw* – was quite exceptional in that she was given sole responsibility for her charges in a household where her employer was completely absent and where she was able to form an alliance with the housekeeper.

The relationship between her predecessor Miss Jessel and the upper servant Peter Quint would have been a most unlikely occurrence. The governess as a force exerting any moral pressure for good or ill within such a household seems to have been more a creation of novelists and playwrights than a reality.

Tailored for the Iron Lady

***Malcolm Rutherford** on the man who sparked up Maggie's speeches*

THE STORY GOES, told by Sir Ronald Millar himself, that the day after Margaret Thatcher resigned literary agents from around the world were on to him non-stop to procure his help in seeking the lady's memoirs. In exasperation, he said "How about mine?" The next day one of them rang back and said "Why not?" *A View From The Wings* is the result.

Millar was the prime minister's speech-writer and (we now learn) a close friend of the Thatcher family. He is the man who gave us such lines as "The Lady's not for Turning" at the 1980 Tory Party conference. He had also written for Edward Heath and has dabbled with John Major. But it was clearly Mrs Thatcher with whom he had the greatest rapport. Either she or one of her colleagues invented the word "Ronnification". It meant that Millar had to be sent for, often at the last minute, to put some spark – and a few jokes – into a prepared text.

The practice worked very well. Whether you liked them or not, her conference speeches were certainly striking, and Millar was helping her even before she became prime minister. The interesting question

A VIEW FROM THE WINGS
by Ronald Millar
Weidenfeld & Nicolson £18.99, 386 pages

is what made the relationship click. Yet analysis is not Millar's strong point and he provides no complete answer.

True, as he was told by C.P. Snow, he had the advantage of not being paid and therefore not being a threat to anyone else's job. Millar also notes that the first rule of speech-writing is to tailor the speech to suit the speaker. Another is "if stuck, go for a quote". That is how he served Mrs Thatcher. But he could not have done it if he had not been an actor and a playwright, and the lady herself had not had a hankering for the stage. The pair tended to address each other as "dear" and sometimes even "luv". Some of their exchanges recorded here seem distinctly camp. It must have helped that Millar got on well with her main supporting partner, Denis Thatcher. Between them they saw the funny side.

Even before he fell in with the Thatchers, Millar had a habit of landing on his feet. His mother was widowed early and turned from amateur to professional acting to make a living. There was never much money, but usually an uncle to help with the school fees. In his youth Millar tumbled on characters such as Ivor Novello and Noel Coward much as he later ran into prime ministers. Even the now Norma Major was the nanny of the leading actress in Millar's *Robert and Elizabeth*. She went off and married a Lambeth councillor.

The book falls into two parts. The first half, about Millar's stage and Hollywood career, is the more enjoyable because it tells a story that is not widely known. Anecdotally, Millar has quite a lot to say about early wartime Cambridge and his experience of the navy. This is a lesson which all writers of memoirs should note: a life is not necessarily less interesting because the character was not famous at the time.

By the time he comes to part two, on his association with Downing Street, Millar is milking it a bit. We shall get better inside stories than this. He also becomes remarkably reticent about himself. What was he doing when he wasn't writing speeches for the prime minister? Few clues are offered. Still, this is a happy book. John Major needs a speech-writer, too, but probably Millar's not the man.

And the next job is – dying

***Nigel Spivey** would have liked a pint with **Blake Morrison's** dad*

ALL DECENT people have a book like this within themselves. The marvel is that so few get round to sustaining it, though scribbled reminiscences must sit in plenty of old desk drawers. For a son to celebrate his father's life might be reckoned an act of common piety; but it also becomes an exercise in self-definition, from the moment one utters a certain phrase and hears the old man speak. Towards the end of his account, Blake Morrison reveals that he has taken to seeing a therapist since his father's death. Perhaps, then, it is not only piety and self-definition, but therapy too.

There is nothing extraordinary to report about Arthur Morrison, GP and Yorkshireman. He was not a saint. He indulged in some gentle but steady adultery, he enjoyed minor infringements of the law, he believed in no god, and he spent every Sunday Simonizing his car (the law, he thought, was less inclined to catch a speeding car if it was clean). He loved his children

AND WHEN DID YOU LAST SEE YOUR FATHER?
by Blake Morrison
Granta Boks £14.99, 219 pages

and his wife, and was evidently held in local affection. You would have welcomed his predictable chat over a pint and, more or less, trusted his medical sense.

He died of cancer of the bowel, but he was 75 when he went. The reportage of his death is poignant, but he seems like the sort of GP who would have despised the notion that you have to die of *something* in old age, as if otherwise you might carry on for centuries. As a ghost he makes a late appearance and demands of his son "What's the big deal about death?", but we are not confined to the moribund man and the book is not all loaded with grief. Astringent flashbacks catch father and son at intervals over 40 years – camping in the Lakes, polishing that car, tinkering with their DIY chores.

Even an expert at the father-son relationship like Arthur Miller would be hard pushed to make anything dramatic of this yet, curiously, the book does not suffer for lack of drama. Father in his dying state is not like the drunken Noah, needing to be covered up. He meets death with dignity. His peccadilloes have no tragic consequences, and those occasions when the term "old sod" seems to fit him best are related without rancour.

The power of the book is drawn from its ordinariness. Never mind that this is a literary editor at work: the fact is that the subject of the hagiography is a man only ever seen with a copy of *Jaws* in his hands (and he never finished that). What we like is the characterisation of a survivor, who is easily understood by his endearing paternal dicta ("How much for cash?"). The last vignette is bitten-off, and brilliantly done. Four weeks before his death, he is still in charge around his son's London house, having just mended a chandelier. He switches it on to test it. Then off again. And in the darkness: "Excellent. What's the next job, then?"

Seriously Rich

Summer fiction/**Nicholas Best**

The cost of being dedicated to money

AMERICA IS where it all happens, religion-wise, and nowhere more so than in Gawpassat, a prosperous little New England town. Here Uncle Ian Richmond, the mystical central figure of Paul Micou's latest novel, has set up the Institute of the Word, a tax-free organisation dedicated to making money and peddling religion, in that order.

So successful is Uncle Ian that the fruits of his labour include a large mansion, a nationwide TV show, $70m in cash, and a canary yellow helicopter in which he flits from airport to home to yacht club on the Lord's business. Not bad for a failed lawyer.

But Ian has a problem, one that will not go away. He is going to die soon – the date of his death, preordained by God, has been predicted in one of his many best-selling books on the Word – and he has no successor, no heir to the Richmond empire.

Enter his nephew, Matthew "Top" Richmond, a shiftless traveller whose only claim to fame is that he once climbed Mount Everest in the company of a black man. Matthew soon discovers what is expected of him. Discovers too that there is much more to Uncle Ian than he had ever imagined ...

THE LAST WORD
by Paul Micou
Bantam £14.99, 252 pages

CROSSING THE RIVER
by Caryl Phillips
Bloomsbury £15.99, 237 pages

REMEMBERING BABYLON
by David Malouf
Chatto & Windus £14.99, 200 pages

It is a nice little satire, neatly crafted, gently poking the subject in the ribs without ever drawing real blood. Micou is not a man for the jugular when a simple nudge will do. He has an original mind, and a quietly cerebral sense of humour.

Rather more sharply etched is *Crossing the River*, by Caryl Phillips, a thoroughly absorbing novel which continues a theme dear to the author's heart, namely the 18th century slave trade and the African diaspora thereafter. The book begins with the sale of two brothers and a sister into slavery, and in four disparate pieces traces the fortunes of some of their descendants.

It sounds unpromising on paper, but is rather better than that in practice. Phillips was recently identified by *Granta* magazine as one of Britain's 20 best young novelists, in which capacity his work has been condemned by fellow writer Julie Burchill as absolute crap. But if La Burchill can find anybody to read the book to her, she will discover in fact that it is actually pretty good.

The first piece deals with a freed American slave, sent back to Liberia by his indulgent master. The slave is supposed to be taking religion to his less fortunate brethren, but when his master follows him he finds that the slave has regressed under the influences of Africa and is living little better than ... well, a savage.

The second deals movingly with the plight of an elderly American negress, hoping against all the odds to be reunited with her daughter, sold away from her when the plantation was auctioned. The third recreates the log of the 18th-century ship which transported the original slaves, and the fourth tells the story of a wartime Englishwoman who has an affair with a black GI and bears his child, which is given away for adoption.

On the face of it the four stories appear to have little in common, but they are all united by a strong narrative and a very high command of the English language. The author is a rapidly maturing talent, and *Crossing the River* is unquestionably his best book to date.

Good too is *Remembering Babylon* by David Malouf, a tale of the Australian outback in the last century, when much of the continent was unexplored. The story is seen through the eyes of a teenage castaway, washed ashore on the coast of Queensland and rescued by a tribe of aborigines. He lives with his rescuers for the next 16 years, until the first white settlers arrive and he gets a chance to rejoin his own kind.

The book begins with his return to civilisation and the difficulty he has in adjusting to a very different environment. He is taken in by a Scottish family, which regards him more as a cuckoo in the nest than as one of themselves. Other whites are wary of him, particularly when they catch him talking to a couple of abos.

If the idea sounds vaguely familiar, that is because Malouf has covered similar ground before in his earlier novel *An Imaginary Life*. *Remembering Babylon* is in part a reworking of the same theme, a reflection of Malouf's abiding interest in nature and the great outdoors.

Love, guilt and adventure

SHORT sentences in a very short narrative, a buried world under the one we are shown: Elisabeth Russell Taylor's *Pillion Riders* is a small masterpiece of reticence. The story of an "absolute" love, where no cost is counted, it becomes a tale of disillusion because the beloved is not worth the feeling he arouses: physical joy is all and it proves to be not enough.

Petulant and bored, a poor little rich girl married to a much older husband, Opal is ready to be swept off her feet when Jean-Claude, a young composer, turns up. On first meeting, in post-war Paris, without a language in common, they flee to a freezing attic with a single cold tap and a hole in the floor, shared with a house full of other tenants.

For some years, passion warms them, though both are unfaithful. Selfish disagreeable though Jean-Claude is, one can believe how Opal is dazzled. But the vicious attitudes of his peasant family come through, including anti-Semitism fuelled by guilt at having betrayed Jews during the war. Opal, though she still passionately desires him, is unable to stand more, and leaves. In this chilling tale of the failure of romantic love, the writing is precise, tight-knit, beautifully paced, and never in any spurious sense romantic.

Max Egremont's *Second Spring* is more leisurely in style, set in the present with its roots in a not-so-distant past. Alex von Kierich's right hand, with its crushed fingers,

PILLION RIDERS
by Elisabeth Russell Taylor
Peter Owen £14.95, 165 pages

SECOND SPRING
by Max Egremont
Hamish Hamilton £14.99, 275 pages

A RIVER SUTRA
by Gita Mehta
Heinemann £9.99, 277 pages

A MIRROR FOR LARKS
by Victor Sage
Secker & Warburg £9.99, 439 pages

declares something: as a conspirator in the plot to kill Hitler, he was tortured. Was he the hero he seems, though? Is his side, the English Edward West, right to idolise him? Rumours force him to resign as head of an aid agency, and he retires to the quietest life he can find.

Edward has also retired: to an English village, to gardening, local politics and attraction to the daughter of nearby friends. Even after a meeting with his old chief in Germany, things remain ambiguous. Edward finds no way of judging Alex. Nor do we. "We were all under fire then," Alex says.

Guilt and betrayal are not as straightforward as they are in the ugly post-war France of *Pillion Riders*. As in Edward's village politics, carefully observed, resentments, hatreds, even snobberies play a part. Who can judge?

This novel is full of vignettes from varied lives, of social observation and the memory of unthinkable evil; of contrasts the mind can hardly accept, and possibilities no-one dares face. Written with grace and humanity, times and places are interwoven with panache.

Sutra means a thread or string, and is also a term for literary forms. On the thread of the river Narmada, a holy site of pilgrimage, a number of Indian stories in Gita Mehta's *A River Sutra* are told to the manager of a rest house, a *vanaprasthi* or forest dweller, one who has withdrawn from the world. The job gives him time for reflection and the story suggests the variety of those he meets or hears about on the edge of river and jungle. They are sad, violent, paradoxical and touching, always infused with religious feeling; they involve people of all social levels and all religious groups, except Christian.

These fleeting encounters, with their stories of change and development, of new identities and often terrible sadness, are valuable to an outsider as peepholes into Indian life and attitudes. They give a sense of landscape, conjuring sounds, colours, textures, light, the monsoon, the river in every mood and season, in a direct, dramatic way, without explanation or apology. To read them is to be steeped in Indian life, to experience at least something of its culture, although much of the mystery remains for an outsider.

High finance, bloodstock and betting, which often go together, are mysterious to outsiders and have a glamour all their own. Victor Sage's first novel, *A Mirror for Larks*, is about all three, and the Italian phrase which the title translates means bait, lure, false inducement. It is also something almost unheard of today, a love story more or less without sex.

The narrator, Raymond Bosanquet, owns racehorses, loves betting, and plans to set up a stud farm, all of which takes money, plenty of it. So when he is introduced to a scheme for shifting millions to and from third world governments, with a rake-off for himself on the way, he is not surprisingly agog. From Florence to Monte Carlo to Paris, he and his cronies chase the elusive but, for a while, not implausible millions and the whole thing bowls along at a tremendous pace. Till the end, when realism takes over and the tone changes. The face of someone who has just jumped from a sixth floor window and is lying still warm in the morgue can hardly be described in anything but horrifying terms.

The narrative is stretched, but most of the way it is irrepressibly good company, with a sense of knockabout adventure that allows one to do what real life so often forbids – to dream the impossible, never counting the pennies or, in a wider sense, the moral cost.

Isabel Quigly

The heartfelt involvement of the principals and chorus is undermined by the fancy stage pictures created by director Howard Davies

Pretty, but misjudged

***Max Loppert** reviews WNO's new production of Eugene Onegin*

IN *ONEGIN*, in events shaped by an exact blending of accident, whim and fatal misjudgment, the youthful hopes and dreams of all its leading characters are shown to be crushed. The pessimism of Tchaikovsky's conclusion is pitiless, the more so for having been reached by a dramatic process of illusion-stripping leavened by the aura of country ease and familial affection in which the early scenes are bathed.

This is one of the most deeply affecting of all operas. Or, rather, it can be – when a just mixture of economy, tact, emotional depth and precise characterisation is seen and heard to guide the direction of its staging and score. In the new Welsh National Opera production it proves, alas, largely un-affecting. The reason is not hard to find: a production hardly more than a concatenation of arty effects, drenched in icing-sugar prettiness and, in the finale, in over-the-top melodrama.

Howard Davies, a noted "straight"-theatre director, was in charge of the WNO's similarly arty *Idomeneo* last season; the difference, however, is that he seems to have made a much bigger, indeed a monumental hash of *Onegin*. In the Royal National Theatre's *Cat on a Hot Tin Roof* not long ago, he showed himself a masterly judge of time, place, atmosphere and style. One of those minor mysteries that dog the performing arts is how those same properties could so comprehensively have been misjudged here.

Davies obviously wanted to make this the Chekhov opera that Tchaikovsky failed to write (the collaboration between composer and playwright being, of course, one of operatic history's most tantalising might-have-beens). To achieve it he moves forward the period of *Onegin* to that of *The Three Sisters*. Nothing intrinsically wrong with that; but from the railway line surreally angled through the permanent set (by Bob Crowley) for the first two acts, one senses that this has fuelled an ill-argued attempt at Social Comment – crudely fulfilled in the third act, with its *fin de siècle* ball full of social-malaise doings risible in themselves and constantly contradicted by the music.

Worse than this is the Hollywood-and-water romanticism imposed on the early scenes – all fluttering curtains artfully opened and closed (a lot of that, and deeply significant every time) and peasant girls twirling balletically across the stage and people sinking to the floor amidst trails of leaves and snow. The main characters – Onegin and Tatyana above all – are allotted stage actions which end up by robbing them of plausible motivation.

Often, brand-new motivation of mind-boggling stupidity is supplied. Drink, if you please, drives Onegin to behave badly at the Larin party; Gremin's aria is addressed, *mirabile dictu*, to Tatyana as well as Onegin. To play the title part as an unshaven lout with a violent temper simply diminishes the emotional drama. Again and again one feels the dramatic momentum ebbing away, the heartfelt involvement of principals and chorus undermined, as fancy stage pictures are created. Ah well – it does look pretty.

Carlo Rizzi is not, at this stage, a conductor able to restore balance through the musical delivery. This is his first *Onegin*, and it shows – while shapely, warm-toned orchestral playing betrays the presence in the pit of a lively musician, his whippings-up of crypto-Puccinian excitement in moments of passion denied Thursday's performance that very quality of tender expansiveness through which Tchaikovsky's musical secrets are most completely revealed. A fair amount of the David Lloyd-Jones translation got covered.

The pity is that the cast, made up mostly of newcomers to the opera, could have been encouraged to deliver a great deal more: above all the greatly gifted Jason Howard (vocally a strong but unexpectedly dull Onegin), but hardly less so Peter Rose (a loud, coarse Gremin). The Larin family – mother (Penelope Walker) and daughters (Janice Watson and Yvonne Burnett) – display a pleasing similarity in vocal vibrato; and form altogether an unusually credible family unit.

Miss Watson's Tatyana, her lyric soprano cool but with lovely promise of lustre and even lushness to come, is already the nearest thing WNO possesses to a "real" *Onegin* performer. One international element has been added: the American Neil Rosenshein as Lensky, a role he undertook at Covent Garden seven years ago. Since then, much heavier roles have been taken into his repertory – at a price. Though Mr Rosenshein remains a touchingly communicative actor, the dryness and wobble of his louder singing were painful to hear.

Welsh National Opera at New Theatre Cardiff, until 5 June, then in Bristol, Southampton, Birmingham, Oxford and Plymouth; production sponsored by Friends of WNO

FT Children's Book of the Month/**Michael Glover**

A happy mischief-maker

BOGGART GOES by many different names, depending upon which dank, dark corner of the British Isles you happen to inhabit. In the Isle of Man he is known as a *Buggane*; in parts of Scotland other than the one in which the opening chapters of this book are set, he might be referred to as a *Bogle*. Two characteristics of his character remain constant, however, no matter where he happens to live: : he is an invisible creature that haunts particular places; and he is essentially a mischief-working thing, not one of the devil's darker representatives upon this earth. He is a games-player, a trickster, given to japes and tomfoolery; a creature with a talent, if not an instinct, for happy, meaningless mischief.

Susan Cooper is best known for a quintet of novels known collectively as the *The Dark Is Rising* sequence which were amongst the finest achievements of children's literature in the 1980s. In these books she made a thoroughgoing imaginative investigation of many of the myths and legends of the British Isles, and also set herself the task of attempting to define the very substance of myth – the timeless battle between good and evil, light and dark, for example – within the wider context of a multi-faceted examination of the history of Britain itself.

In a sense her new novel *The Boggart* is picking away at some of the same rich seams; but it is also, significantly differently, drawing our attention to the way in which there are quite as many unfathomable mysteries in our "technological" present as there have ever been in the so-called "primitive" past.

THE BOGGART
by Susan Cooper
Bodley Head £8.99, 182 pages

The Boggart opens with a delightfully doleful piece of scene-setting in the Western Isles of Scotland, melancholy as any random skirl of the pipes. A lonely boggart, attendant for millennia upon the MacDevons of Castle Keep, witnesses the death of the last scion of the old family. Accustomed to making his mischief down the centuries in the peaceable fortress of Castle Keep and having no knowledge of the present, the boggart is innocently unaware of the fact that the world of the present day has effectively driven out the Old Things, burying the wild magic beneath layers of reason and time...

Then everything changes – utterly. The MacDevons' nearest surviving relative proves to be a Canadian theatre director of Estonian origins. The family of four (which includes two children, Emily and Jessup) pays a brief visit to Castle Keep to claim their inheritance, taking the boggart back to Toronto with them by accident... the boggart wreaks havoc in the Canadian present, causing mayhem in the family's antiques shop, and ruining its Hallowe'en celebrations.

Matters take a darker turn still when Emily's mother invites the ethically dubious Dr Stigmore to investigate whether her daughter might not be to blame in some way, being of a sensitive age. The doctor concludes that, as an emotionally disturbed adolescent, she shows every sign of having fallen prey to emotions that are classical links with poltergeist phenomena such as they are now witnessing.

The boggart, slandered, persecuted, misunderstood, finally decides to take refuge in Jessup's computer, from where he communicates with the children by a piece of unintelligible gibberish that proves to be not the evidence of a virus attacking the programme but a phrase in Gaelic (recognised by one of the theatre's principal actors, a Celt himself), which means: "I want to go to my own country". And so he returns, down the line.

The introduction of the supernatural into children's books, in whatever shape or form, can often induce a sense of world weariness in the reader. It can be an excuse for covert preaching (as in the case of C.S. Lewis) or, at the opposite extreme, a species of spurious light entertainment. Seldom does its evocation remain faithful to the spirit of what is known to be true of the beliefs of both past *and* present; and, incidentally, seldom has a book succeeded in reminding us that there are just as many superstitions and bizarre hopes linked to the possibilities of the computer terminal as there have ever been to the book of Common Prayer.

Seriously Rich

Of questionable taste

Few tycoons spend their money in the salerooms, says Antony Thorncroft

IT IS a source of profound disappointment to antique dealers and auction houses that the very rich rarely buy works of art. They prefer to squander their time, and their wealth, on houses and horses, yachts and cars and private jets rather than develop a connoisseur's eye.

Few of the British self-made millionaires of the 1980s became habitués of Sotheby's and Christie's, or the Bond Street dealers, and if they did it was generally to decorate their Mayfair apartments or Cotswold mansions with comforting 18th-century furniture.

The flashiest buyers were the newly enriched foreigners who settled here. Al-Tajir, from the Emirates, bought most of the ornate 18th- and 19th-century silver by de Lamerie and Storr to appear on the market in the late 1980s, and in his desire to become an English gentleman Asil Nadir spent lavishly on the contents of his London HQ. Guided by his interior decorator he invested a reputed £7m through the leading London furniture dealers, acquiring solid if unexciting antiques. He gave over the odds for many items and when the liquidators cashed in the goods in 1991 they raised only £4.5m.

Most millionaires lack even Nadir's pretensions. Perhaps the saddest aspect of the Maxwell debacle was the tasteless "antiques" which filled his home and office. There is talk of his children having good pictures but, judging by the lacklustre auctions organised by his liquidators, art was not a dealing area to catch the Big Man's interest.

Of course millionaires often employ a tame decorator to acquire the trappings of wealth for their homes, but this is hardly collecting. Not surprisingly, the most avid collectors among our local tycoons have been individuals with ingrained artistic pretensions. Andrew Lloyd Webber is the man that the dealers and auction houses are happiest to see. Buying now through dealer David Mason, he has amassed the finest private collection of Victorian art in the country, if not the world.

Recently his taste has broadened and in 1992 he paid the highest auction price of the season when acquiring Canaletto's view of the Old Horse Guards in Whitehall for £10.12m. He went on to buy the mad Richard Dadd's great fairy picture, "Contradiction", for £1.65m. Both are now on loan to the Tate Gallery, which improves their public access – and their value. Sir Andrew is obsessed with his boyhood passion for 19th-century art, in particular the Pre-Raphaelites, and intends one day to open a private museum.

Andrew Lloyd Webber is the person the dealers are happiest to see. He paid £10.12m for Canaletto's view of the Old Horse Guards, Whitehall (above) in 1992, which is now on loan to the Tate Gallery, London

This is the path followed already by the other great British collector of the last two decades, advertising man Charles Saatchi. There has always been some confusion as to how much of the vast collection of contemporary art amassed by Saatchi was owned by him, and how much by the agency that he built, fleetingly, into a world leader. There is certainly no doubting its importance, and the occasional public shows in Saatchi's north London private museum give access to a spread of contemporary art than no public museum in the UK can emulate. If Saatchi likes an artist, he will buy up his entire exhibition. In the main his investments have proved shrewd and his art collection is now much more valuable than Saatchi & Saatchi.

In the last two years Saatchi has been off-loading some of his early loves, works by André, Schnabel, Twombley and Lucian Freud, among others, to buy the new Minimalist artists, plus the elderly RA Carel Weight and the young aficionado of rotting whales, Damien Hirst. Saatchi has played the art market better than any other collector. A Cy Twombley that he sold last year for $1.65m cost him less than $100,000. He is the exception to the rule that investing in art is a fool's paradise.

But both Saatchi and Sir Andrew had a feeling for art before they made their money. It does seem that unless you have confidence in your own taste, together with cultural leanings, you are left standing at the threshold.

Pop stars are rarely short of ego and like to think their music is art so they were natural prey for the dealers. The death of Freddie Mercury was a severe loss to the art market. He bought widely, from Japanese prints to 19th-century paintings, with a bizarre side interest in the lightly clad females of Sir William Russell-Flint. Paul McCartney has spent millions on art, including paintings by Magritte, de Kooning and Picasso; his special passion is anything relating to Rupert Bear.

Also familiar faces in the auction rooms are Bob Geldoff, a knowledgeable buyer of contemporary art, as is Peter Gabriel; Mick Jagger (whose interest extends to the ultimate in connoisseurship, Old Master drawings); Elton John (who sold his eclectic group of jewels, art deco, pop memorabilia, etc for £4.8m at the peak of the art boom and subsequently invested in contemporary Russian art); and Brian May of Queen (early photographs).

But the commitment of British show business to art is minor league stuff compared with the collecting of the American entertainment industry. The hills around Hollywood are the home of the new great collections. Madonna has her personal curator who has bought the moderns – Picasso, Leger, the Mexican Frida Kahlo and, recently, a 14th-century Old Master Madonna. Jack Nicholson is a keen collector of modern art, including the work of Soutine; Elizabeth Taylor buys jewels, naturally, but also Impressionists, and owns a Van Gogh which she failed to sell at auction for £10m; and Dustin Hoffman buys Teddy Bears.

American millionaires are no more avid about art than their British equivalents, but because there are so many more of them their impact is greater. There is also much more of an art-as-investment ethos in the US. When Alfred Taubman, the shopping mall tycoon, bought Sotheby's in 1983, he began to drum up turnover by promoting art as a shrewd buy among his super-rich acquaintances. With the help of loans and credit facilities the great art boom of the late 1980s was fuelled, and prices of Impressionist and Modern art in particular spiralled to dazzling heights.

For a time Picassos, Van Goghs and Renoirs were traded internationally like equities. Suspect new millionaires, like Alan Bond, borrowed recklessly to build up prestigious art collections which they hoped would add lustre to their business empires. Bond never managed to pay back the Sotheby's loan to acquire Van Gogh's "Irises" for $53.9m, but fortunately the Getty Museum stepped in and took the painting off his hands.

Sotheby's even managed to persuade the arriviste Japanese, always susceptible to western fads, to buy up art by the plane load. This unsustainable bubble reached its peak in May 1990 when a Japanese paper manufacturer, Ryoei Saito, paid $82.5m for a Van Gogh and $78.1m for a Renoir in the same week. These are the highest prices ever achieved for works of art and it is unlikely that they will be matched for many years.

The recession has left millionaires much poorer, and contemplating over-priced works of art on their walls and in their bank vaults. Meanwhile, the handful of serious billionaire connoisseur collectors sat on their hands and waited for prices to return to rational levels. Perhaps they feel normality has returned. One of the great collectors is Niarchos, the shipping tycoon. He is believed to be the buyer of Cézanne's "Still life with apples" which sold for $28.6m in New York earlier this month, making the auction houses smile for the first time in three years.

Other knowledgeable collectors are Baron Thyssen, who is also a director of Sotheby's and who bought a Constable at auction there for £10m; Barbara Johnson, the widow of the baby powder tycoon, who bought the Badminton cabinet for £8.58m; Sol Steinberg, the publishing billionaire and buyer of expensive Bacons; and Walter Annenberg, another American publisher. When the price goes above $10m at a major Impressionist sale they are likely to be among the half dozen likely bidders – unless Sotheby's and Christie's have managed to convert a new player to the game.

As big collectors of British and European art, like Paul Mellon, stop adding to their collections, or like Wendell Cherry and Malcolm Forbes, die, the future for the collecting of traditional European artefacts dims. Fortunately most of the great works are already in museums, and some museums, like the Getty and the Kimbell at Fort Worth, are as well endowed as any rich individuals, and can pick up masterpieces at auction.

The fact remains that whereas a century ago anyone who made a fortune was likely to seek social acceptance by assembling an art collection, these days the desire is absent. There will still be great collections assembled, but in esoteric fields. The era of the great buyers of Old Masters, Impressionists, furniture and silver, is past.

Radio

Faith and guilt

THE WORLD of Faith was Radio 1's theme of the week, with a peak on Wednesday, the Archbishop of Canterbury discussing the Church of England with Jimmy Young. Radio 4, by contrast, featured *Reasonable Doubt* in this week's "You and Yours" slot. Radio 2 was more widely spread, for it covered all kinds of religious singing, from Anglican hymns to music from Buddhist, Hindu, Moslem and Sikh observances, with popular items like folk, pop and congregational "West Gallery" song. The Jamesons discussed women's ordination – with a woman ordinand, of course.

Reasonable Doubt covered the actual commission of sin, or "offences", as we say now. We all worry about the number of cases in which guilty verdicts have been overturned by matters like alleged police error; and presenter Tasneed Siddiqi discussed such cases with witnesses, lawyers and police. Each day last week, two cases were brought up where convicted prisoners still insisted on their innocence. Michael Mansfield, QC, defender of the Birmingham Six, said on Monday that there might be many dubious cases; but on Thursday, Barbara Mills, Director of Public Prosecutions, spoke out for the Crown Prosecution Service.

Next week Radio 3 will begin all Marlowe's plays, but the World Service beat them to it this week with its own *Doctor Faustus* on Sunday. It was a very short version, not even the 1604 edition; but that magical first act, the spellbinding tragedy of the last, are among the most beautiful moments in all English drama. We skipped the low comedy, though we attended an unruly supper with the Pope. Donald Sumpter was a good Faustus, though a bit cool in "Was this the face that launched a thousand ships"; Carl Johnson was an ironical Mephistopheles, properly pathetic in his regret at what he had missed by following Lucifer; Norman Rodway had the great lines of the Chorus. Hilary Norrish directed.

Radio 4's *Kershaw in Cuba*, on the last two Tuesdays, was not like *Pilkington in Kighizstan* or *Wilco in Spain*; it gave the feeling that its original target had been replaced by another, a better one as it happened, and I hope Noah Richler, who produced, will not be cross with me for saying so. Andy Kershaw is not the man you would naturally send for a political view of today's Cuba, more for a social view, accent on music. Yet the programmes dealt rather casually with music – there was an interesting talk with a Finnish player in a Cuban group, and much Cuban-style music both in the background and, less often, the foreground. What we had in fact was the street-politics of Cubans under double restriction – the American embargo and no more help from Russia.

It began in Miami, where Cuban exiles go. There were the successful, adapted to American comforts; more interestingly, the committed, devoted to rehearsing a counter-revolution. In Cuba, itself, we went first to Santiago, where the state record company produces vinyl discs at about £1 a time but you queue 20 minutes for a coffee. Then to Havana, whose Cubans seemed to be good-tempered despite severe food-shortage – four eggs a week, but endless coffee, and lobsters for the fishermen. All were insistent on being Cuban, "culturally, ethnically, politically". Fidel Castro claimed that the elections on February 25 proved that 98 per cent of the electorate supported the socialist system, though as no other party stood there was little argument. He thought he might step down from presidency within five years.

B.A. Young

Welcome to Ayckbournsville

Alastair Macaulay reviews Ayckbourn's 'The Norman Conquests' in Scarborough – and decides that it is the perfect place for a weekend

THE EAST Coast has its laureates: Aldeburgh's Britten; Hull's Larkin; and Scarborough's Ayckbourn. People now come to Scarborough just because it is Ayckbournsville; they come from the European continent and they come from America in whole parties. Ayckbourn joined Scarborough's Theatre-in-the-Round in 1957 and began to write plays there (aged 20) in 1959. He is sufficiently immodest now to observe that only Shaw is his rival for longevity among playwrights. "I've now written 45, which is a lot more than Shakespeare did. But then he didn't have the chance of working in Scarborough."

To those who have not seen an Ayckbourn play in Scarborough, that *last* line may give the impression that the town feasts Ayckbourn with a luxurious big theatre – something along the lines of those in Stratford or Chichester. So it is a shock the first time you find the Stephen Joseph Theatre-in-the-Round – in the grounds of a school. (*Its predecessor was used to be in part of the town library. After a few years, the library said it needed the space back "for cultural reasons."*)

Foyer space is limited, the auditorium seats 300, stage space is hardly larger than that of most London pub theatres, the audience has to exit across the stage, and the air-conditioning is noisy. For these conditions Ayckbourn has conceived most of his most successful plays.

Now the theatre is to move a few blocks, into the former Odeon cinema. The main theatre will still be in the round, and the stage area, though improved by hydraulic equipment, will remain intimate. But the auditorium now will seat 400, with improved exits and air-conditioning and larger foyers; and there will be a second auditorium seating 200. In press conference this week, Ayckbourn did not disclose any particular ambitions to write plays to fit the new space. He spoke instead of being able to finish his staging of the Chekhov cycle there, and of being able to foster several new playwrights by giving them a place to create new work.

The new theatre will cost £4,350,000; 40 per cent of that has already been raised. Ayckbourn himself has contributed £400,000; he plans that the new theatre should open in 1995, in time to mark the 40th anniversary of Stephen Joseph's foundation of the Theatre-in-the-Round there, and he says he has ensured that the larger auditorium will bear Joseph's name.

*

Some theatre-goers may often have wished they had an excuse to stay in Scarborough for more than one night, but scheduling seldom makes that easy (with each play performed in blocks of performances). This season, however, Ayckbourn's main project for this year has been to revive his famous trilogy *The Norman Conquests*, directing this 20th-anniversary staging himself; and so one may spend three days in Scarborough watching the three plays in succession. Though the playwright has made a few surreptitious updatings – Norman now says "trainers" instead of "gym shoes" – this seems designed only to stop the plays becoming period pieces just yet.

The gist of *The Norman Conquests*, you may remember, is that each of the three plays occurs during the same weekend, but in a different part of (or outside) the same house. Watching them in a quick series – each one stands very well on its own – is, of course, to find the laughter multiplying steadily with every new bit of knowledge gained about the six characters. But it is also to be amazed by the plasticity with which Ayckbourn presents his characters and the events of the weekend. *The Norman Conquests* is the farce equivalent of Lawrence Durrell's *Alexandria Quartet*: relativity is all, and all versions of the truth are true.

Four of Ayckbourn's new cast are just about perfect: Adrian McLoughlin (Reg), Andrew Charleson (Tom), Dariel Pertwee (Annie) and Buffy Davis (Ruth). Their playing is in-the-round in every sense; they let you see the different shades of their characters, with wonderfully objective playing. In the exceptionally hard role of Norman – Norman the feckless Don Juan of the provinces, the pathetically manipulative disaster area – Peter Lindford is almost as fine; just a trifle too practised and fluent in some speeches. Jane Maud attends too much to the surface of Sarah, deploying a hundred little facial, vocal and gestural actressy effects which actually bar us from seeing Sarah.

*

The Norman Conquests are all about a dirty weekend that never occurs. Now, as it happens, Scarborough is just the place *I* would pick for a dirty weekend. Any town with sea-bathing, and, a mediaeval castle, cliffs, *and* a good theatre comes pretty high up my list. Even on a grey day you can walk along the cliffs for miles, with the North Sea churning below; and even if, like Norman or myself, you fail to get a dirty weekend to work out successfully, it is a pleasant town in which to pass the days that precede the evenings on which you watch *The Norman Conquests* unfold.

The Norman Conquests is performed at Scarborough on various dates through to September 4

Opera sings out against cuts

Six major companies go on the offensive, reports Antony Thorncroft

AFTER years of phoney crises the nation's arts companies are convinced that the crunch in public funding will actually happen this year. The six major opera companies – Royal Opera, ENO, WNO, Scottish Opera, Opera North, and Glyndebourne Touring, in an unprecedented show of unanimity, have decided to go on the offensive in an attempt to safeguard opera in the UK.

They have produced a joint letter which has been sent to all the people that matter, from Norma Major (separate one for John) down, spelling out the devastating effect on their activities if the government goes ahead with its threatened cuts and freezes. In total the government plans from next April to reduce the subsidy of the companies by 6 per cent compared with previous promises, a reduction in funding of £5.5m.

The Royal Opera has already cancelled a planned production of *Oberon*; is having second thoughts about a revival of *Gawain*; and has postponed a joint production with the Kirov of *War and Peace*. In addition the future of its Garden project, dedicated to new and experimental opera, is threatened. The ENO says that it has already cut rehearsal time to dangerous limits, and would be forced to axe its Baylis programme of opera for the young, cancel new commissions, and cut the size of its orchestra and chorus.

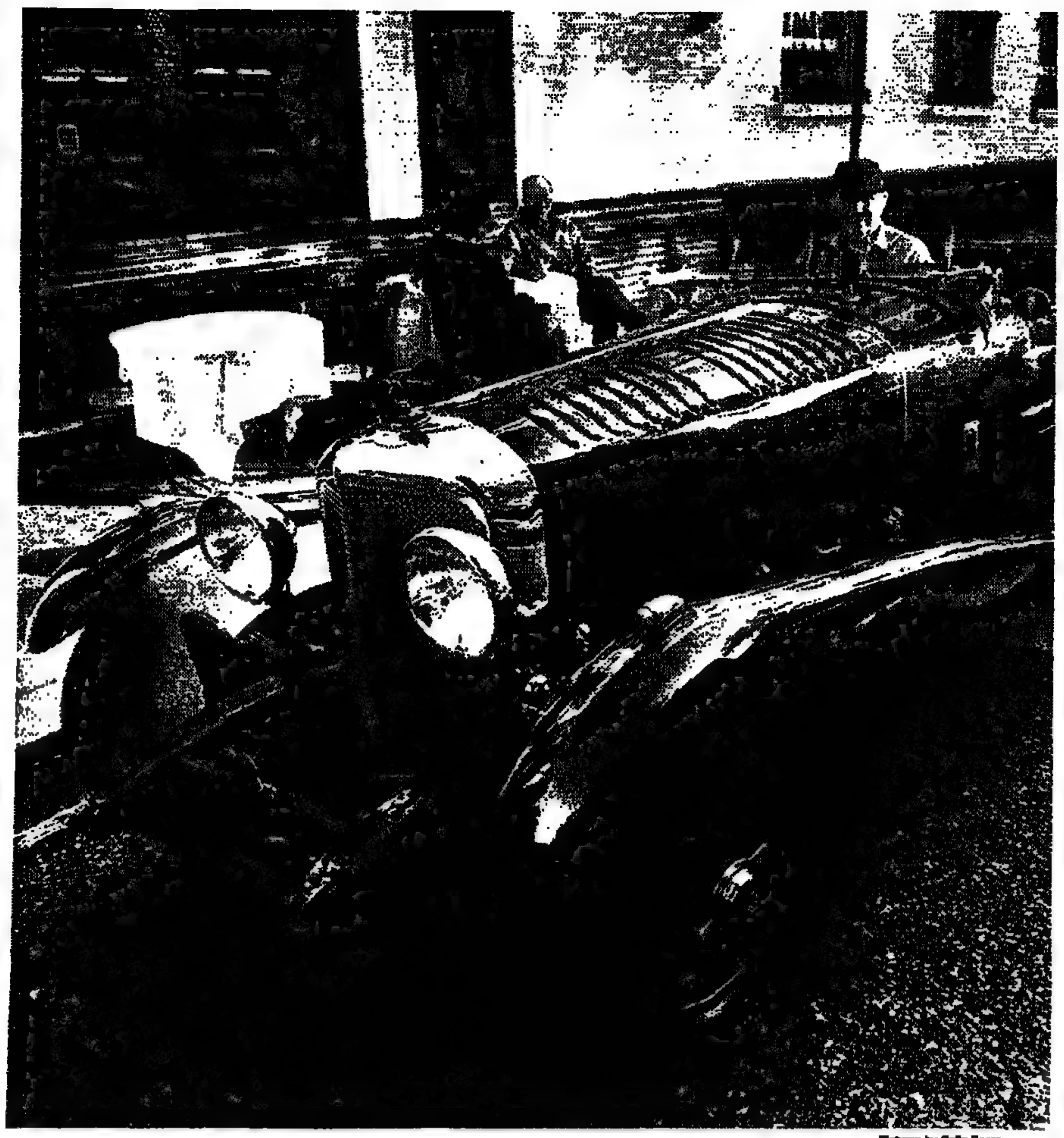
WNO would reduce touring, new productions, education and outreach; Scottish Opera would virtually eliminate touring; Opera North would drop its new productions, including the planned *Tannhäuser*, and its mid-scale touring; and Glyndebourne would forego its educational work as well as a week on the road.

The full horror of the projected cuts is set out in the June issue of the magazine *Opera*. Quite rightly the opera administrators feel that they cannot make good the short-fall by raising seat prices any higher, or attracting more sponsorship money in the current state of the economy. Savings will have to be made in their work load. Compared with past disaster scenarios this one sounds much more convincing. The fact that all the directors have co-operated on the document, and presented their case so early, confirms that they take the situation very seriously.

Early evidence that this could be the bleakest year for the arts in decades comes with the news that London City Ballet, the touring classical dance company which depended mainly on box office and sponsorship for funding, is at last calling it a day after its July 3 performance at Bath. The Arts Council will not rescue it and only the unlikely appearance of a generous sponsor can save it this time.

Seriously Rich

In Mr Toad's slipstream



Graham Walker and his Bentley: "You come back from a trip with shoulders like Schwarzenegger"

Pictures by Colin Beere

EXCITING cars are the ultimate present you can give yourself. For one thing, they are relatively affordable compared with yachts or helicopters. And you can justify the outlay by arguing that it is "necessary" – after all, most of us need to drive.

Motoring correspondents, most of whom show few signs of preferring to test Metros rather than Maseratis, do point out increasingly that the 1993 family saloon is of such a high standard that it compares favourably for performance and reliability with the luxury car of a decade ago. Yet, in an unbroken line from Mr Toad onwards, those with the cash or the position to treat themselves do so.

"I'm totally in love with my Jaguar. I couldn't believe my luck when the company agreed to give me one," says Yve Newbold, company secretary to Hanson. For a long time, Jaguars were off the list of Hanson-approved vehicles. Newbold was fortunate to combine her own legendary persuasiveness with the Ford-acquired company's improved quality standards.

"Although it's exotic to me, it's got to have a little bit of gravitas," she adds. "I'd call it a racy, sensible car. It's not the top of the range or flashy. I'd love one of the V-12s but it just would not be appropriate."

Other City figures, just as in love with their vehicles, find them more enjoyable as private pleasures. Amschel Rothschild, chief executive of Rothschild Asset Management, is famed among clients and colleagues for his passion towards his 1960s' BRM Formula One racing car. Yet very few have seen the boss in action at the occasional club race or classic rally. Possibly not quite the right degree of gravitas for the family image?

Passers-by could scarcely miss the eight-litre 1930 Sports Bentley of investor and sportsman Graham Walker. He has owned a string of successful racing yachts, all named *Indulgence*, and created the 1986 British challenge for the America's Cup, besides being chairman of the newly-revived British Pathe News.

"This is probably my favourite indulgence," says Walker. Yet the Bentley is very much a working car (although, for Monday-to-Friday chores around town, he uses an Aston Martin). On one recent weekend, it took his daughter to her wedding before leaving early on the Monday for the 1,200-mile drive to Italy to compete in the Mille Miglia rally, a re-run of the classic road race.

Walker and his son Jago were kitted out for the trip in full helmets and goggles. Handling this car, still capable of more than 130mph, on the autoroute is not for the faint-hearted. "We drove her down because, frankly, the Bentley is far more reliable than any pick-up or truck we might have hired from a garage," says Walker, one of life's enthusiasts. "You come back from a trip like that with shoulders like Schwarzenegger."

The chic and poised Newbold, a lawyer by training, has no desire for incidental body-building when she drives but, like Walker, confesses to a love of flamboyant, muscular cars that goes back many years. "When I was studying law, I drove a white MGB convertible around London with my four kids scrunched in the back or sitting on the rolled-down top. Quite against all the rules nowadays, of course, but I thought it was a blast and so did they."

Her progress in the lovely scarlet Jaguar is now more restrained.

Keith Wheatley

Yve Newbold and her Jaguar: "I couldn't believe my luck when the company gave me this car"

Driver – make my day

Stuart Marshall on the highway perils faced by those who flaunt their wealth

THE MOTOR CAR can be a great leveller. You might be a multi-millionaire driving a muscle-bound bauble like the 215 mph (346 kph) Jaguar XJ-220. Or you could be one of the long-term unemployed in a rusty Lada worth less than the price of dinner for two in a good restaurant. In the eyes of the law, however, you are equal.

Neither of you can exceed 81 mph (130 kph) legally anywhere in Europe except on the less-crowded stretches of German autobahns. Even there, really high speeds are frowned upon by the police and the insurance companies.

Should you be one of the seriously rich, therefore, pause for thought before writing a cheque for a £415,000 Jaguar, £243,100 Bugatti EB110, £177,600 Aston Martin Vantage or £161,563 Bentley Continental R.

Bear in mind that while a parcel delivery driver in an Astra diesel van might get away with 95-100 mph (153-161 kph) on British motorways, your Bentley or Bugatti, Aston Martin or Jaguar will stand out like sore thumb.

Don't forget, either, that pinching the seriously-rich owner of a car which is travelling at 120 mph and costs more than he will earn in the next 10 years will make any police patrolman's day.

So, we have a problem. Having invested in a car that has been built expensively to be driven safely at between two and three times the legal speed limit, what do we do with it?

Take it to Germany? Well, yes; but, often, the only difference between very fast driving on a British motorway and a German autobahn is that in the UK you risk losing your licence and there you will not. Autobahn traffic can be dense.

And do not run away with the idea that every driver keeps an eye open permanently for high-speed overtakers and observes lane discipline meticulously. They did years ago – but not any more.

The only way you can be sure of letting your 180 mph (290 kmh) speedster off the leash without blue lights flashing is to join the 96 Club (telephone 071-584 9536 or fax 071-581 9429 for details). It rents racing circuits to which members drive or trailer their super-cars and spend an agreeable day wearing out tyres at £1,000 a set.

But what, you might ask, of the hardware of mega-money motoring? One's thoughts turn instinctively to Rolls-Royce because, if any motor car personifies conspicuous consumption, it is a Royce. (Never, please, a Roller; that is like asking the butler the way to the toilet). A Rolls-Royce Silver Spirit II just scrapes under the £100,000, key-in-hand price barrier and a Bentley Brooklands (the marque's best buy, should you be interested) is about £10,000 less.

The really smart Rolls-Royce product in which to be seen is the Bentley Continental R (say, £163,000 on the road). Underneath its sleeker coupé body, it is a Bentley Turbo R with a V8 engine of some antiquity, 6.75 litres capacity and undisclosed power ("sufficient" is all RR says, but it must be around 320 bhp). The Continental R and Turbo R saloon leap away from the peasantry at the lights and swoosh along very swiftly indeed in near silence.

One would hardly call them an enthusiast's drive, but they combine performance and sheer gravitas like nothing else.

For mood music, Rolls-Royce should deliver these jet-propelled Pullman carriages with an endless supply of Elgar CDs.

A Rolls-Royce looks quite cheap against an Aston Martin Vantage (close to £180,000 key-in-hand) which also draws its power from a large and elderly V8. For a two-seater (a four-seater only if your passengers are contortionists), it is wide and unreasonably heavy.

I find the V8 Aston Martins elephantine – but there is no denying they are quick. A 186 mph (300 kph) maximum is claimed, although no one says where.

That archetypical rich man's sports car, the Ferrari 512 (12-cylinder, five-litre, 422 horsepower boxer-motor) is as embarrassingly obese as an Aston Martin on the road. On a private track, though, you see where the money (say £127,000) has gone. As you hurtle into corners, you marvel at its grippy nimbleness and forget about such aggravations as a gear lever that grates every time you shift.

Ferrari claims 195 mph (314 kph) for the 512. I am sure it is right – providing you gain access to the Nardo proving ground or buy 100 tickets for the *polizia* ball before venturing on to a deserted autostrada at 4 am on a summer day.

The latest monster supercar, the Bugatti EB110, boasts 12 cylinders and four turbo-chargers. It puts 553 horsepower on the road through all four wheels and is alleged to be good for 209 mph (336 kph). I have not tried it, but I did drive three laps of the Salzburgerring circuit in a rather care-worn Jaguar XJ-220 last summer.

This is a car in which I would not wish my worst enemy to find himself in a long motorway tailback. The interior is cramped and one would steer it by dead reckoning in town, although it looks rather beautiful and its £415,000 price tag says a lot about one's personal finances. Originally, it was to have been a V12 with four-wheel drive. It appeared with a V6 engine (which sounds like a cement mixer at low speeds) and two-wheel drive.

When Jaguar announced it was going to limit production of the XJ-220 to 350, a lot of punters rushed to put down a £50,000 deposit. They expected to sell-on their vehicles at a profit and the last thing many wanted was actually to take delivery. Now, a row is in progress between Jaguar, which insists on the contracts being completed, and the recession-hit punters, who will not (for which one might read cannot) come up with the other £365,000.

If you expect your money to buy a high-tech as well as a high-class motor, a V12-engined Mercedes-Benz 600SEL saloon, 600SEC coupé or 600SL convertible is the car to go for. They are built like battleships but, despite their considerable bulk and weight, handle like torpedo boats. In a 600SEL, you are insulated from the outside world by double glazing. Four drop-down vanity mirrors let your passengers apply the finishing touches en route to the palace.

The SEC is much the same car although with only two doors; the SL is the ultimate two-seat (well, just two-plus-two) convertible with a soft top. Should you be careless enough to upturn one, a passenger-protecting roll bar deploys in milliseconds.

The day of the ultra-costly, ultra-high performing car might well be drawing to a close. For shortish journeys, a helicopter is much quicker than any car and, for long journeys, a private jet will go further in two hours than a Ferrari in 24. Besides which, neither chopper nor Learjet is ever likely to suffer severe damage from a member of the lumpen proletariat armed with a screwdriver.

Money talks at Chelsea

Robin Lane Fox takes a tyro with millions through the flower show

THIS WEEK, it has been the Chelsea flower show. I was all prepared for a happy Monday among the plantpersons when the *Weekend FT* asked if I would look at the show through the eyes of the very rich, in line with this weekend's theme.

Fortunately, the paper arranged a ticket for one of its friends among the recently rich. Gerry Next-Ratner is not yet a famous gardener, but he is a king of bargain-basement shoppers, who has turned his million into three more. He wants to get into gardening, not least to maintain peace with the lady in his life, so we met at the Chelsea Hospital entrance.

How could a millionaire resist the main tent on the Monday morning when nobody else is supposed to be there except the press and their girlfriends? Gerry certainly liked the tent: so much, in fact, that he interrupted a group of judges and asked how he could hire it. He said it had the right scale for the mid-summer frolic that he and his lady were giving near Newbury on the evening after Wimbledon.

The members of the Floral B committee were surprised by the question. Gerry was even more surprised by most of the flowers. It was probably a mistake to start him off in Avenue G, the heartland of this year's civility, among the soft colours of Four Seasons Nursery and the apparently artless arrangements of Glebe Cottage.

Bargain-basement millionaires like quick results in quantity, and Gerry first came alive among the newish Princess lilies which he recognised from the florist outside his London office. He astonished Peter Smith of Chanctonbury, in Sussex, by ordering half a borderful at £5 a plant.

I happened to remark that he would soon be rivalling Elton John, who is one of the biggest buyers of the show lupins which the two brothers Woodfield exhibit so handsomely at Chelsea. Gerry made straight for the stand and ordered enough of the cream-flowered Deborah Woodfield and brick-red Trooping the Colour to fill the rest of his border in one sweep. He was even keener when he discovered that the brothers were avid *FT* followers who were willing to swap tips as well as seed packets.

I felt I had to suggest that lupins and alstroemerias might look too riotous. What is so wrong with a riot? Gerry answered. But if you think it flashy, we can tone it down with a nice bit of foliage.

Not far from the lupins, we found Goldbrook Plants selling juicy hostas at a size and price which makes a millionaire show off and order 100. When I suggested that lady gardeners also like flowers with scent, he did a deal on two dozen of the eleagnus Quicksilver (which Goldbrook had combined cleverly with the hostas) and then added 20 of Notcutts' dusky lilac Congo because the colour reminded him of a former girlfriend.

I felt I had to steer him towards David Austin and persuade him to buy up remaining stocks of the pink-flowered *FT* Centenary rose because its flowers are so much bigger than anyone else's. Before temptation flagged, we came to rest at Blom's tulips. Every year, the Blom stand is bait for millionaires.

In their first year, but perhaps not their second, these highly expensive tulips are certain to look their best. Gerry majored on the red and white striped Marilyn, and then announced that he had covered every season except autumn when he and his lady were, anyway, on Cap d'Antibes. Before I could say Corydalis flexuoas, millionaire's restlessness had taken over. Gerry had what he wanted and so the main tent had had it, too.

You remember, perhaps, the famous words of L.B. Johnson about the relative merits of men inside the tent and men outside. At Chelsea, millionaires are outside-the-tent people, not in. Outdoors in the sunlight, everything costs several hundred times more.

I tried to convince Gerry that the prettiest planting and design was to be found in this year's garden from the *Daily Mirror*, complete with its own reflecting mirror and a scheme of pink, white and pale flowers from a talented designer named John Plummer. But Gerry is not too keen on the *Mirror's* politics, any more than on the new disease of outdoor gardens at Chelsea for the 1990s. Gardens for children with learning disabilities turn up among gardens to help the aged or gardens for people with breathing problems. Gerry thought they were all ridiculously middle class: horticultural correctness is not his scene.

By the main tent, he was put at ease by a timber-framed glass room with green-grey paint and a wooden veranda. Every year, Amdega sells its showpiece; this year, Gerry scooped the conservatory for a mere £30,000 with VAT, blinds and flooring as extras. On a crest of the wave, he then made free with the stone garden statuary from Crowthers with planting by Rosemary Verey.

Gerry's sights had now set themselves high. Down on the embankment, he had caught the glint of gold in the sunlight, and it was only with great difficulty that I dissuaded him from ordering an entire truckful of the gold-coated pebbles and waterfalls crafted by Numoul with the help of acrylic paint.

In reflective mood: John Plummer and the Daily Mirror garden

Further down the embankment, the competitive spirit resurfaced. *Harpers and Queen* had a huge garden of cliff-like appearance, planted beautifully with white martagon lilies and some hybrid hellebores, which were stars of the show. The hellebores came from the great collection of Helen Ballard near Malvern, but her name meant much less to Gerry than the collection's new buyer and the exhibit's backer, Lord Rothschild.

Gerry was most impressed that serious money can buy the best: he would have been even more impressed if the exhibit's rocks had not turned out to be made of polystyrene tinted to look like boulders. Actually, I thought they were very clever and that their devisor, Rockscape Ltd, had found a way of bringing a grotto within everyone's reach.

With a final flourish, Gerry spotted two enormous figures chiselled in solid stone. What a Rothschild shows in polystyrene, a Next-Ratner orders in granite: the antique salesperson explained that the figures were two of a set of six, acquired recently for hard currency from the Lenin museum in Prague.

Done, said Gerry, at a cool £29,000 and £24,000 respectively. Millions move in a mysterious way; whatever did he want with two monoliths of the Marxist past? "Send them to my ex-wife," he replied. "She was always ridiculously left wing until she divorced me and made off with half my assets."

Careful questioning of another group of judges convinced him that the president's lunch was not open to purchase and was by invitation only. Lovely morning, he commented, but a pity about all those fiddly little flowers on tables inside the tent. He vanished before I could take him back to the plantings which really matter.

Myself, I am an inside-the-tent person, but I now see why the Royal Horticultural Society allows such staggeringly expensive extras to multiply round the edges of the world's finest flower show. How else can millionaire non-gardeners make up for the fact that they cannot possibly grow sweet peas, orchids and old-fashioned roses like the ones that are grown by those wonderfully human artists inside the tent each year?

Finance & the family

So you've got £1m to invest . . .

Scheherazade Daneshkhu explores the best ways to get the most for your money

IF YOU want to hang on to your £1m rather than simply spend it, where should you invest it? The *Weekend FT* asked three private client stockbrokers and an independent financial adviser for their views. The brief was to put together a low to medium risk portfolio with the ability to draw a reasonable income without jeopardising capital growth.

Seriously Rich

■ **James Capel Investment Management**
UK stocks are the clear favourite, with 62 per cent of the investment being placed in the UK equity market. "We believe there is scope for good returns in the UK in the next year as earnings and profits come through," says Simon Corbett, head of UK private clients.

Risk is reduced through investment in large, good-quality companies such as Bowater, BAA and Grand Metropolitan. Food and pharmaceuticals would also be included. BTR and RTZ provide cyclical recovery potential, while Land Securities and British Land are included to take advantage of recovery in the property sector.

Of the utilities sector, British Gas, Severn Trent and East Midlands Electricity should give growth and dividend increases. BT is regarded as good value, with growth prospects in the telecoms sector. Prudential and General Accident, the insurance companies, are selected for good yields and HSBC for its growth prospects in the expanding Far East area.

Overseas holdings account for 21 per cent of the portfolio, with the US having 7 per cent, Europe 4 per cent, Japan 2 per cent, the Pacific 6 per cent, and emerging markets 2 per cent. The bond holding is in UK gilts (15 per cent) because of good yields and the lack of currency risk, and 2 per cent of the portfolio is held in cash.

James Capel estimates the annual income from the portfolio at close to the average market yield of 4.5 per cent, or £45,000 gross before charges. For those wanting higher income, the exposure to gilts would be increased at the expense of overseas markets.

■ **Quilter Goodison**
The UK market also underpins Quilter Goodison's portfolio, with 65 per cent in UK equities, 20 per cent in overseas equities and 15 per cent in fixed-interest securities to produce an average gross income of £40,000. "In the short term, the UK market is concentrating on recovery situations," says Christopher Watkins, deputy chairman of the fund management division.

"While they may have scope for further appreciation, in our view, this has left many of the traditional growth stocks such as Glaxo and Unilever, and others with high yields – for example, Bass, BATS, Argyll and Boots – looking undervalued for the longer-term investor seeking good value.

"Utilities, banks and life assurance companies offer above-average yields and good prospects for dividend increases."

The overseas weighting is in managed funds. "We are placing particular emphasis on the Far East, Japan and emerging markets. In Europe, Italy and Spain have their attractions following their devaluations but we would also include France and Switzerland as having good long-term potential. In the US, smaller companies are offering a satisfactory investment opportunity."

Despite reservations about the size of the public sector borrowing requirement, the fixed-interest element would be in gilts because of their attractive real rate of return. "Convertible stocks may be used to enhance income if necessary, and overseas bonds where we perceive beneficial currency changes," says Watkins.

■ **Casenove Fund Management**
There are two portfolios: one for the younger millionaire in his 30s, the other for someone in his 50s. "Our view is that equity returns in the foreseeable future will, at least in the developed world, reflect the prospects of low economic growth. Index-linked gilts offer an attractive risk-free return as well as flexibility, and provide the sheet anchor of both portfolios," says Cazenove, which is aiming for preservation of capital – hence a relatively low annual income of £32,000 for the younger millionaire and £35,000 for the older.

Both portfolios have a 40 per cent holding in UK equities but the younger millionaire would have an additional 12.5 per cent invested in UK smaller companies. He would hold 7.5 per cent in conventional investment trusts such as Alliance, Scottish Eastern, Scottish Mortgage & Trust, and Witan Investment Company. One-quarter of the portfolio would be invested in specialist overseas investment funds, with emphasis on the Far East and emerging markets for growth. Index-linked gilts would account for 15 per cent of the portfolio.

The older millionaire would hold 17.5 per cent of the portfolio in index-linked gilts and 7.5 per cent in foreign bonds, for multi-currency income and security at a time of low inflation. There would be no holding in UK smaller companies. Conventional investment trusts would take 15 per cent while 20 per cent would be in overseas investment funds, such as Cazenove's own Pacific Portfolio fund.

■ **Murray Noble**
"Personal investors should move away from the traditional investment media of UK, US, Japan and European blue chip shares because the risk reward ratio no longer justifies their inclusion," says this fee-based independent financial adviser, which favours bonds over equities. It would also advise switching out of sterling (because of its weakness) in favour of the franc and mark.

Twenty per cent of the portfolio would be held in these currencies, offering yields of over 7 per cent. Another 20 per cent would be put in index-linked gilts and 40 per cent in European bonds. Murray Noble says German bonds are particularly good value.

Only 10 per cent would be held in equities and this would be in emerging markets (Latin American investment trust, Gartmore Emerging Pacific trust, Turkey trust) because of the potential for growth. The final 10 per cent would be placed in so-called "angel funds" where private money is loaned to established small businesses.

"There are a large number of businesses which have weathered the storm of this UK recession and are in desperate need of funds," says Murray Noble. "Access to this capital is denied to them because of the shortcomings in the UK financial system. In the US, angel funds plug this crucial gap, with amazing results."

An annual income of 4 per cent can be taken from the portfolio, but Murray Noble says that drawing any more would jeopardise capital growth.

FINANCE AND THE FAMILY

Who wants to be a millionaire?

*Many people, says **Philip Coggan**. But, short of inheritance or winning the pools, there is no easy way*

NEVER MIND how to invest a million. What most people would like to know is: how to get one. The prosaic answer is that most people become millionaires by one of two routes. They either inherit the money, or they work hard to build a business and create it.

For most individuals, accident of birth has denied them the first option and the second seems like too much effort. This article is designed for those who would like to make a million without stirring far from their armchairs.

There is no low-risk way of making a million, except to start with £900,000. All the following options assume the investor has modest savings. Accordingly, the rules of risk and reward come forcefully into play. If you want to make your million quickly, you have to risk losing your initial investment and the chances are that you will do so.

There is precious little difference between some of the more "serious" options considered and those which involve straight gambling. None of them should be considered unless the investor is willing to kiss goodbye to the money. So, with tongue firmly in cheek, and fingers crossed, here are some potential million-makers.

THE FAST WAY

■ **Football Pools**

The pools companies altered the scoring system recently to try to encourage more jackpot winners. This year, Littlewoods says it has had five entrants who scooped more than £1m, including two who won more than £2m. That indicates the company might turn a dozen people a year into millionaires. Littlewoods has around 7.5m coupons a week so, if you do the pools every week, you have (very roughly) a 1/625,000 chance of becoming a millionaire within a year.

■ **Casino**

If you went in with £100, and bet consistently on red on the roulette wheel, you would need red to come up 10 times in a row for your initial stake to multiply into £1,024,000. (Provided, of course, that house limits, let alone your nerve, allowed you to bet £512,000 on the 10th spin).

Ten consecutive reds might not seem too stiff a requirement. But since the house wins on zeros, you have an 18 in 37 chance of winning each time, so the chance of such a streak is the fraction 18/37 to the power 10, or around 1,346/1 against.

■ **Warrants**

A warrant gives the right to buy a security at a set price. It can normally be purchased for a fraction of the price of the underlying security. Say that the warrant gives the right to buy shares in Widget plc at 100p, and the share price of Widget is 110p. The warrant should obviously be worth at least 10p, and will be worth more the longer the time available for it to be exercised.

Say the warrant costs 20p. If the share price increases to 500p, then a Widget shareholder would almost have quintupled his money. But the warrantholder will have seen the value of his holding increase from 20p to 400p, a 20-fold increase. If he had invested £50,000 to start with, he could have made his million.

That is a fictional example.

Seriously Rich

In his book, *An ABC of Warrants*, Professor John Pick cites the warrants on shares in the Burton Group, which reached a low of 0.5p in 1978 and a high of 312p in 1988. An investor with perfect timing could have turned £1,600 into £1m over those 10 years. But warrants can be dangerous investments. They pay no income and can expire worthless. Fortunes were lost in the Japanese equity warrant market late in the 1980s. As for the UK market, Pick cites how warrants in WPP, for example, dropped from 134p to 4p within a year. And the chances of finding another Burton are very small.

■ **Options**

Options behave very like warrants, only on a shorter time scale. They grant the right, but not the obligation, to buy a given commodity at a set price within a set time. Options are available on a wide range of commodities such as foreign currencies, gold or shares.

While options can be used for very conservative, insurance-type purposes, budding investors will be attracted to them by their "geared" nature. If the commodity's price rises, the right option will rise in value at a considerably faster rate; if the commodity's price falls, or even stays the same, the wrong option will expire worthless.

There is one point about which investors should be very careful. If you *buy* an option, at least you can only lose what you have put in. But if you speculate in the market by selling an option, known as "writing" in the jargon, your potential losses are virtually infinite.

■ **Penny shares.**

Polly Peck was for a long time the pride and joy of penny *share tipsters. If you had* invested £800 in the stock in 1980, it would have grown to £1m by the end of the decade. But an investor would have seen his million disappear quickly in the 1990s.

It is a mistake to assume that a share is cheap because its nominal price is low; that, for instance, shares in Ratners at 40p are necessarily better value than shares in Glaxo at £6. What matters are the profits and the assets of the company concerned – and what proportion of those profits and assets each share represents. If there were just two shares in Glaxo, each would be a bargain at £1bn.

Where penny shares can be profitable is when they represent either "shells" – companies with few assets which are transformed by a go-ahead entrepreneur or recovery stories. But such success stories are hard to spot and this week provided, in Speyhawk, a good example of a recovery stock that did not recover. Add in the fact that dealing spreads tend to be very wide on penny stocks, and the odds are loaded heavily against an investor picking another Polly Peck.

All the above are high-risk ways of trying to make a million. What about more conventional investments?

THE SLOW WAY

■ **Equities**

You can become a millionaire by investing in ordinary equities, but it could take you a long time. Had you invested £10,000 in shares in 1945, BZW figures show that you could have turned that into more than £1m by the end of 1989. Mind you, your performance would have had to match the index and you would have had to re-invest the net income. Nor do BZW's figures allow for any dealing costs. Furthermore, someone with £10,000 in 1945 would have been very well off – that sum is the equivalent of £185,000 today.

■ **Cash**

If equities are slow, an investment in a building society deposit is the real plodder's way of making a million. Assume you put £10,000 in a deposit which earned 7.5 per cent net a year. It would take you 64 years to become a millionaire. Even if you deposited £5,000 every year, and earned the same return, it would take you 38 years to reach £1m.

The Week Ahead

BOOTS, the retailing and pharmaceutical group, hopes final results on Thursday will dispel City worries about its prospects, provoked by recent price battles with Superdrug. Boots shares have underperformed the stores sector by 25 per cent since January. Pre-tax profits are forecast to increase by up to 14 per cent, from £359.5m to between £400m and £410m. The market expects most of the improvement to come from Boots the Chemist, where operating profits are likely to be up almost £40m at £285m.

Several large property companies recently raised new funds to lower gearing, so the question over MEPC's interim results on Thursday is whether the UK's second-largest will follow suit. Analysts expect pre-tax profits of around £47m for the half-year to March, compared with £58.6m a year ago, reflecting a decline in capitalised interest as the development programme comes to an end.

Recovery in the US remains uneven and the market will be watching the tone of Siebe's statement on activity over the pond, where it is exposed heavily. The statement, and final results, are due on Wednesday. Analysts expect pre-tax profits of more than £181m, against £169.6m a year ago. They are looking for a small drop in gearing at 69 per cent for the six months to September through cash-flow.

The Westland helicopter group is expected on Wednesday to announce half-year results with pre-tax profits of around £11.5m, 10 to 11 per cent up on the previous period. This quiet improvement reflects slack production work on new helicopters and, while upgrade orders have helped to fill the delivery gap, the group's aerospace division shows the effects of the cyclical downturn in the civil aircraft sector. The company is expected to hold its interim dividend, with a possible increase on the 1.25p paid at the same stage last year.

Dunhill Holdings, the luxury branded goods company, is expected on Wednesday to announce pre-tax profits for the year to March of about £72.2m compared with £76m a year ago. The market will be scrutinising the company's interest receipts, expected to *show the recent* cuts in UK base rates. A dividend of 8.1p is expected, compared with 7.7p in the previous period.

RESULTS DUE

Company	Sector	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS			-	-	3.7
Anglian Group	BdMa	Wednesday	3.6	4.0	3.6
Atkins Group	Tex	Tuesday	-	-	-
Beazford	Eng	Tuesday	-	2.5	-
Bertam Holdings	Plnt	Thursday	4.3	8.1	4.8
Boots	Strs	Thursday	0.5	0.6	0.5
Borthwicks	FdMa	Tuesday	3.75	7.75	4.0
Bristol Evening Post	Med	Tuesday	3.5	11.5	3.85
De La Rue	PP&P	Tuesday	2.75	4.85	2.9
Dunhill Holdings	Strs	Friday	-	-	-
Europe Energy Group	O&G	Wednesday	-	-	-
Hambros Insurance Services	n/a	Thursday	-	245.5	-
Lazard Select Inv Tst	InTr	Tuesday	-	1.25	-
London & Overseas Freighters	Tran	Friday	3.5	3.5	3.5
Norcros	Otin	Thursday	6.6	16.0	6.6
Powell Duffryn	Tran	Thursday	2.5	4.5	2.55
Property Partnerships	Prop	Friday	-	1.15	-
RIT Capital Partners	InTr	Thursday	-	1.0	-
Rowe Evans	Plnt	Thursday	0.24	1.11	0.24
Rowlinson Securities	Prop	Thursday	6.05	12.1	3.327
Siebe	Eng	Wednesday	1.5	1.5	1.5
St James Place Capital	OtFn	Thursday	6.4	12.8	6.9
Thames Water	Wat	Wednesday	4.1	9.0	4.7
Vosper Thornycroft	Eng	Wednesday	8.0	17.0	9.0
VSEL Consortium	Eng	Thursday	-	0.25	0.5
Wood (SW) Group	PP&P	Wednesday	-	13.0	7.05
Yorkshire Water	Wat	Wednesday	6.5		
INTERIM DIVIDENDS					
ABI Leisure	Mtrs	Thursday	1.67	2.19	-
Barcom	C&C	Wednesday	-	-	-
Bett Brothers	C&C	Thursday	-	-	-
Carr's Milling Industries	FdMa	Friday	1.0	2.9	-
Chrysalis	H&L	Friday	-	-	-
Drayton Recovery Tst	InTr	Thursday	2.0	3.95	-
Faber Prest	Misc	Tuesday	4.3	7.7	-
Foreign & Colonial PEP Inv	InTr	Wednesday	-	-	-
French (Thomas)	Tex	Thursday	1.45	2.175	-
Kleen-e-ze	Strs	Wednesday	-	-	-
Lloyd (David) Leisure	H&L	Wednesday	-	-	-
MEPC	Prop	Thursday	-	-	-
Stakis	H&L	Wednesday	-	0.45	-
Sturge Holdings	InBk	Wednesday	2.75	5.5	-
Westland Group	Eng	Tuesday	1.25	3.0	-
Windsor	InBk	Tuesday	-	-	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Alida Holdings	n/a	Dec	1,170	(1,230)	6.65	(5.55)	-	(-)
Argyll Group	FdRt	Apr	417,300	(364,500)	27.1	(24.2)	10.9	(9.75)
Babcock Int'l	Eng	Mar	21,000	(55,000)	1.72	(6.19)	2.1	(3.15)
Betterware	[illegible]	[illegible]	13,700	(7,040)	8.4	(4.9)	2.0	(1.22)
Carpetright	n/a	May	7,610	(2,610)	-	(-)	-	(-)
Caslot	[illegible]	Mar	2,660	(341)	2.53	(0.12)	0.8	(0.5)
City of London PR	Med	Mar	535	(521)	[illegible]	(4.78)	3.6	(3.75)
Courtaulds	Chem	Mar	198,000	(166,000)	37.6	(35.0)	14.0	(13.6)
Daks Simpson	n/a	Jan	1,400	(525 L)	-	(-)	-	(-)
DCC	n/a	Mar†	13,800	(13,500)	77.6	(76.6)	11.5	(10.0)
European Colour	Chem	Mar	640	(47)	1.55	(0.33)	0.8	(0.65)
Fleming Euro Fledge	InTr	Mar	313	(116)	0.44	(0.09)	0.15	(-)
Fleming Far Eastern	InTr	Mar	1,890#	(2,420#)	1.15	(1.53)	1.1	(1.5)
Flextech	Med	Mar	1,570 L	(-)	-	(-)	0.5	(-)
[illegible]	Misc	Dec	363,000 L	(487,000L)	-	(-)	-	(-)
Hi-Tec Sports	H&L	Jan	8,300 L	(9,060)	-	(18.1)	2.0	(6.5)
Jackson Group	C&C	Dec	165	(1,650 L)	1.7	(-)	1.5	(2.0)
Jarvis Porter	PP&P	Feb	4,780	(2,190)	11.4	(6.3)	4.7	(4.4)
Macdonald Martin	B&D	Mar	4,350	(9,570)	20.4	(41.5)	6.6	(6.6)
Mercury Asset Mgemnt	OtFn	Mar	82,300	(65,190)	32.6	(25.4)	15.0	(11.5)
Mid Kent Holdings	Wat	Mar	6,170	(7,210)	26.5	(31.7)	10.5	(9.5)
Moorside Inv Tst	InTr	Apr	8,840	(8,006)	7.69	(7.43)	8.7	(8.7)
National Power	Elec	Mar	580,000	(514,000)	32.9	(26.6)	10.6	(9.1)
North West Water	Wat	Mar	247,100	(230,100)	62.3	(57.9)	21.4	(19.62)
Ocean Wilsons	Tran	Dec	6,640	(5,100)	9.34	(6.36)	4.0	(3.66)
Olives Property	Prop	Dec	1,880 L	(718)	-	(6.76)	1.5	(6.0)
Owen & Robinson	Strs	Jan	2,530 L	(2,590 L)	-	(-)	-	(-)
Plysu	Chem	Mar	10,800	(9,470)	15.3	(13.6)	7.0	(6.0)
Prime People	BsSr	Oct‡	392 L	(578 L)	-	(-)	-	(-)
Quadrant Group	H&L	Feb	7,270 L	(1,410)	-	(8.87)	-	(4.0)
Readicut Int'l	Tex	Mar	19,200	(11,800)	7.5	(4.07)	3.44	(3.44)
Rolfe & Nolan	BsSr	Feb	1,220	(1,390)	17.7	(18.9)	7.2	(6.2)
Shires Inv	InTr	Mar	6,900	(5,600)	17.6	(16.6)	18.4	(16.4)
South Staffs Water	Wat	Mar	10,300	(8,740)	189.0	(148.0)	47.0	(40.2)
South West Water	Wat	Mar	92,700	(90,000)	57.9	(58.1)	23.7	(21.7)
Southnews	Med	Apr	1,660	(609)	6.59	(3.32)	2.1	(1.5)
Specialeyes	H&H	Nov§	2,070 L	(240)	-	(2.3)	-	(-)
Thorn EMI	H&L	Mar	259,900	(147,900)	45.3	(22.5)	32.0	(30.1)
Warburg (SG)	MeBk	Mar	148,200	(165,300)	39.6	(49.9)	19.0	(18.0)
Warnford Inv	Prop	Dec	7,260	(8,170)	13.65	(14.51)	7.5	(7.25)
Worth Inv Tst	InTr	Mar	110#	(15 L#)	0.35	(-)	0.1	(0.1)
Xtra-Vision	n/a	Jan†	1,010	(1,680)	0.66	(1.13)	-	(-)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Albion	Tex	Mar	506	(386)	1.6	(1.2)
Apollo Metals	M&MF	Mar	589	(711)	1.2	(1.15)
Capital Radio	Med	Mar	4,850	(6,290)	1.75	(1.75)
Carlton Comms	Med	Mar	55,100	(47,400)	7.4	(6.7)
Celltech	n/a	Mar	4,280 L	(4,520 L)	-	(-)
Cosalt	Misc	Feb	220 L	(776)	2.12	(4.25)
Countryside Prop	C&C	Mar	2,600	(2,040)	1.41	(1.41)
Davenport Vernon	Mtrs	Mar	696	(605)	1.5	(1.5)
Dobson Park	Eng	Apr	714 L	(6,200)	1.2	(1.9)
Fairline Boats	H&L	Mar	161	(613 L)	3.57	(3.57)
Ferraris	M&MF	Feb	251	(77)	0.75	(-)
Greyfriars Inv	InTr	Mar	80	(278)	0.5	(2.0)
Metro Radio	Med	Mar	797	(670)	1.5	(1.5)
Morland & Co	B&D	Mar	3,630	(2,820)	2.76	(2.42)
National Home Loans	OtFn	Mar	23,900 L	(95,900 L)	-	(-)
North American Gas	InTr	Apr©	461#	(457#)	-	(-)
Perpetual	OtFn	Mar	5,090	(2,180)	1.8	(1.2)
Radio Clyde	Med	Mar	1,530	(843)	3.5	(3.25)
Richards	Tex	Mar	326 L	(1,940 L)	1.07	(1.07)
Smart (J)	C&C	Jan	1,040	(1,580)	2.3	(2.3)
Tunstall Group	Elec	Mar	3,170	(2,550)	2.5	(2.25)
Wheeson	Eng	Mar	4,020	(4,160)	2.3	(2.2)
Wolverhampton & Dud	B&D	Mar	16,650	(16,520)	4.7	(4.3)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. § = This years figures for 78 weeks. © = Figures for nine months. # = Net revenue. † = Figures quoted in Irish pounds & pence. ‡ = This years figures for 10 months.

RIGHTS ISSUES

Brixton Estate is to raise £100.7m via a 2-for-5 rights issue at 155p.
Countryside Properties is to raise £16.8m via a 3-for-11 rights issue at 108p.
Davenport Vernon is to raise £6.4m via a 2-for-5 rights issue at 125p.
Ferraris is to raise £1.95m via a two-for-three rights issue at 55p.
Hammerson is to raise £198.1m via a rights issue.
Sanderson Murray Elder is to raise £17.1m via a 10-for-9 rights issue at 102p.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Apollo Metals is to raise £4.87m via a placing & open offer of 5.22m shares at 101p.
Bellwinch is to raise £6.5m via a placing & open offer of 27.4m shares.
Dencora is to raise £1 via a placing of 840,000 shares at 122p.
Finsbury Smaller Cos Tst is to raise £10m via a placing & open offer.
Malaya Group is to raise £9.6m via a placing & open offer.
Olives Property is to raise £2.55m via a placing of 9.76m shares at 28p & open offer.
Owen & Robinson is to raise £2.1m via a placing & open offer.
PhoneLink is to join the USM via a placing of 8.9m shares at 155p.
River & Mercantile Extra Income is to raise £9.7m via an open offer of 10m zero dividend preference shares at £1.
Smaller Cos Inv Tst is to raise £21.25m via a placing & clawback of 3.6m shares at 590p.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in pence unless otherwise indicated				
Aberdeen Pet.‡	17*	17¼	16	6.39	Pittencrieff
Bexbuild Dev.	88*	87	78	3.68	Philip Shapiro
Brabant	59*	58	44	9.72	EDC
Buckingham	2¾*	5¾	4½	3.31	Purlieus
Erskine House	90*	90	34	64.70	Alco Standard
Lee (Arthur)	160	159	136	53.63	Caparo Eng'g.
Savage ‡	79	80	71	47.2	McKechnie
Securiguard	270*	298	185	59.20	Rentokil
TIP Europe	42*	41½	26½	71.0	GE Capital
Teredo Pet.	5½	6	6	1.71	Cairn Energy
Thames TV	200*	198	175	99.00	Pearson

*All cash offer. †Cash alternative. ‡For capital not already held. § Unconditional. **Based on 2.30 pm prices 28/5/93. ‡‡Shares and cash. ¶Price at suspension.

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FINANCE AND THE FAMILY

SIB faces battle to promote reforms

TO THE average investor, the regulatory system must sound like alphabet soup: SIB, SRO, SFA. The letters take on meaning only when investors find they must turn to the regulatory system for redress in some way.

Let us say, for instance, that your financial adviser has been pocketing your money instead of investing it in unit trusts as you had believed. Or you were convinced to buy an investment contract which you believed allowed instant access, only to find it does not. It is then that letters like SIB become important.

SIB is the Securities and Investments Board, the City's chief regulatory watchdog; and last week its chairman, Andrew Large, said he would keep a tighter rein on the self-regulating organisations (SROs) which, nominally, it supervises. After a lengthy study of why the regulatory system failed to prevent the theft of more than £440m from pension schemes controlled by the late Robert Maxwell, Large concluded that SIB's decision to maintain an arm's-length relationship with the SROs was a decisive factor.

This might not seem like much improvement in the quality of investor protection. And indeed, it might not be. On the other hand, there are signs that Large is prepared to force SROs to take measures which, occasionally, counter the commercial interests of their members. This is a necessary first step to improving the quality of investor protection, particularly for retail investors who do not have the sophistication or muscle of large institutions which can get redress more easily.

Signs of this new, tougher stance have emerged already. Last December, the board of a proposed new super-SRO for retail financial services, to be known as the Personal Investment Authority (PIA), was told it must improve standards of investor protection significantly if it wants to get off the ground. Among other things, it must tighten rules for selling – particularly life insurance – by making the charging structure clearer and restricting instances where people are sold inappropriate products.

Andrew Large . . . tighter rein

While Large's criteria may sound like common sense, the SROs are under considerable pressure from their members to resist. A case in point is last week's response by the actuarial profession to proposals from the Office of Fair Trading (OFT) on disclosure.

The OFT had urged that prospective customers be told of a policy's surrender value in each year of its life before buying it.

While it is impossible for life insurers to know exactly what the surrender value will be, they have a fair idea of expenses and can make some projections.

The information can help consumers understand what will happen if they cancel before maturity and could discourage them from buying policies unless they are certain they can keep up premiums. But the actuaries, many of whom work for life insurance companies, claim the OFT measures would only confuse consumers and are urging the Treasury to reject them.

Meanwhile, the Life Insurance Association (LIA), an industry trade body, is urging the adoption of a complaints procedure outside the scope of the new PIA. Under the LIA proposals, consumers who fail to have complaints upheld by the adjudicator risk being forced to bear the costs of the investigation. Many people with complaints could back off if faced with having to pay the bill.

Publicly, the SROs insist their prime mission is to protect the public interest and claim they turn a sufficiently blind eye to the commercial pleas of their members if the public is at risk. But consider, then, an article which appeared last week in a trade journal catering to independent financial advisers (IFAs).

In it, Godfrey Jillings, chief executive of Fimbra – which regulates IFAs – slams the OFT proposals and says they will make the insurance industry uncompetitive. Jillings vows "to fight alongside other bodies in opposing some of the proposed nonsense [from the OFT]."

If that is the case, Large has his work cut out.

Norma Cohen

Investors 'ignorant'

RICHARD Youard, the investment ombudsman, has warned that savers still need to be educated about the basic facts of investment life. Writing in his annual report this week, he says: "Investors often show unrealistic expectations, confusion between different types of investment, and a general lack of understanding of how markets work."

Youard's job is to sort out disputes between clients and members of IMRO, the investment management regulatory organisation, and he has the power to make individual awards of up to £100,000. He can be contacted at 071-796 3065 or by writing to 6 Frederick's Place, London EC2R 8BT.

In his report, Youard also has criticism for the industry. He cites one brochure for a personal equity plan which carried the slogan: "The Easy Way to Achieve Income and Growth – Free of Tax."

Youard asks: "Can we blame someone new to investment for thinking this Pep brochure assured him of income and growth, easily? Time and again, we find investors have been more affected by the lead-in than by the mass of fine print which follows."

Youard says there was a 50 per cent increase over the year in complaints referred to him. But he feels this was due less to a deterioration in industry standards than the recession and the extra publicity given by IMRO to the ombudsman scheme.

Most complaints were about general investment advice, with Peps coming second. Claims varied in size from £5 – an investor demanding interest due on cash held within a Pep – to £350,000, a dispute on which Youard decided he could not adjudicate.

The two highest claims paid were for £10,000. One related to an investor getting wrong information about the number of warrants he could buy and the other concerned the definition of a "low risk" portfolio. In total, the amount paid out after disputes was £40,700, down from £114,000 last year.

Many of the complaints concern alleged negligence by advisers but Youard does find some encouraging signs.

He says: "Two years ago, I complained about the number of bad or non-existent fact-finds and of inadequate, if any, contemporaneous notes. These are not simply a protection for the adviser but, more constructively, an aid to efficient business.

"This year, the cases have shown, on the whole, satisfactory fact-finds and useful contemporaneous notes."

Philip Coggan

More carrot than stick in BT3 sale

***Roland Rudd and Philip Coggan** examine the inducements on offer*

INSPECTOR MOROSE, alias comedian Mel Smith, will soon be talking on television about the incentives on offer to retail investors in the government's sale of its remaining BT shares in July. Meanwhile, the government's own inspectors – in the form of S G Warburg, global co-ordinator of the offer – have already been offering institutions inducements to buy existing BT shares.

Institutional shareholders which increase their BT holding before the close of the offer will be rewarded with more new shares if, as expected, the £5bn float is over-subscribed. Those that try to depress the share price, by selling short the stock aggressively, will be penalised when the new shares are allocated.

Lord Cairns, Warburg's chief executive, says the bank has learnt from the last government sale of BT shares when it was also the lead adviser. In 1991, Warburg warned big shareholders that it would take a very dim view of any attempts to depress BT's share price.

This infuriated the institutions, which complained that the government was trying to rig the market.

This time, Lord Cairns says he is offering the "carrot approach" in place of the stick which caused the fuss in the first place. Institutions still think the government is rigging the market – but are much happier at the way Warburg is going about it.

Irrespective of whether the market is being rigged, however, it can only be good news for the small investor if the mechanism keeps BT's share price buoyant.

The only concern for potential investors is that once the Treasury loses its financial interest in BT, uncertainty about regulation is likely to increase. The timing of the Monopolies and Mergers Commission report into British Gas – due to arrive on ministers' desks just after the BT issue – could not come at a worse time.

There is also the emergence of wider competition to BT's basic business. Tim Hirst, analyst at Kleinwort Benson – one of the stockbrokers which declined to take part in the sale when it was not asked to be a global manager – says the potential impact has been underestimated. He expects cable operators will be providing telephones to more than 2m residential and 550,000 business customers by 1997, compared with 150,000 today.

Hirst estimates this could cost BT £550m a year in lost line rental and call volumes. That is only 4 per cent of its present revenues but, since much of its network costs are fixed, there could be a painful impact on profits.

Warburg's research on BT, published yesterday, dismisses such fears. James Golob, telecommunications analyst, says: "Although there will be new competition ... it does not appear to be on a scale that will materially alter the rate of gain of market share from BT."

Meanwhile, the government has widened the net of "share shops" through which investors can apply for the BT3 issue. Those who register with, and apply through, a share shop can expect to receive greater preference when shares are allocated than those who apply through the Share Information Office.

Some of the companies which have become share shops are offering further incentives for investors who register for BT3 shares. Barclays is offering to waive the £30-plus-VAT joining and subscription fees on its select and single company personal equity plans. Those who register will also be entitled to free membership for three months of the Barclayshare Portfolio Administration Service or the Barclayshare Advisory Service. Lloyds bank is offering a "low-cost" postal share dealing service covering all shares on the London Stock Exchange.

The Share Centre is providing a £3 Argos "premier points" card, allowing discounts off goods at Argos stores for successful applicants. It is also offering a 24-hour telephone dealing service with a minimum commission rate of £8. Details on 071-757-4000.

Directors' Transactions

TIMOTHY Dewhirst, executive chairman of the Dewhirst group, has sold 300,000 shares, 142,000 of them to a fellow director. He moved up from chief executive in January and the shares have been performing strongly ever since.

Although Dewhirst cut its dividend two years ago – for the first time ever – this provided cash to make an acquisition in the women's wear business. It helped, also, to balance the group's historic dependence on men's wear. Results announced in April showed a remarkable surge in both profits and earnings and brokers are forecasting further growth for 1994.

Directors of HTV, the Welsh tv company, bought heavily in anticipation of success in last year's franchise competition. The shares performed strongly after the result was announced but have struggled since. Now, though, chairman Louis Sherwood has entered the market and bought a parcel – the first purchase by a director this year.

Colin Rogers, The Inside Track

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Densitron	Elne	250,000	104	1
Dewhirst Group	Text	300,000	192	1
EIS Group	EngG	10,000	37	1
Greenalls Group	Brew	5,700	24	1
ICI ADRs	Chem	1,500	$19	1
ICI Demerged	Chem	4,500	$43	1
M & G	OthF	1,500	12	1
Marks & Spencer	Stor	33,142	112	1 *
P'meirion Potteries	Misc	22,040	64	1 *
SEP Ind Holdings	EngG	89,904	28	1
Yorklyde	Text	5,000	21	1
PURCHASES				
Allied Leisure	H&L	25,000	13	1
Bank of Scotland	Bank	15,000	21	1
Berry, Birch &Noble	InsB	10,000	17	1
Burmah Castrol	O&G	6,000	41	2
Cannon Street Inv	Cong	57,000	15	1
Costain	C&C	100,000	35	1
Dewhirst Group	Text	142,000	91	1
Fairway Group	Misc	75,000	47	1
Hillsdown Holdings	FdMa	15,000	21	1
Holt (J)	Brew	1,500	44	1
HTV	Med	50,000	22	1
Life Sciences Intl	Hlth	40,000	63	1
Osprey Comm	Med	100,000	33	1
Zeneca	n/a	46,750	298	6

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 17 - 21 May 1993.
Source: Directus Ltd, The Inside Track, Edinburgh

Lloyd's plan for change fails to cheer Names

***Richard Lapper** finds both plus and minus aspects in the insurance market's attempt to put itself back onto a profitable path*

WEALTHY American investors and pension fund managers alike are falling over each other to get a piece of action at Lloyd's of London – at least, that is the impression some senior managers at the troubled insurance market like to give following publication of its new business plan last month.

Certainly, Lloyd's should be a more attractive home for corporate capital if – and it remains a big if – the market's management is able to implement all the plan's main recommendations.

Cost-cutting and an overhaul of management systems and structures should improve profitability. In particular, an ambitious new re-insurance scheme called NewCo is designed to seal off future investors from old US asbestosis and pollution liabilities running into billions of pounds.

But what about the market's existing capital base – the 19,700 individual Names – and should individual investors who have shunned Lloyd's begin to reconsider their opposition?

First, the bad news. The plan contains little to cheer several thousand Names hit so badly by losses that they have resigned already or are likely to do so later this year.

Lloyd's is persisting with its efforts to negotiate an out-of-court settlement to more than a dozen legal actions and announced this week that Sir Jeremy Morse, the former chairman of Lloyds Bank, and Sir Michael Kerr, a former high court judge, had agreed to oversee preliminary work.

But when Sir Michael and Sir Jeremy report in September, the odds are that the amounts on offer – which will come mainly from the errors and omissions insurance policies which cover agents against the cost of legal awards – will not be enough to dissuade some of the worst-hit Names from going to law.

The plan also has some recommendations that could worry Names wealthy enough to continue, and the new re-insurance plan could prove to be costly for some of them, too.

Before NewCo is established, Lloyd's will review the adequacy of reserves set aside by syndicates over the years and, where deficiencies are identified, Names could be asked for more cash. In many other respects, however, the plan contains better news.

Names trading in 1993 are to be allowed to use part of their premium trust fund – into which premiums are paid – to settle past losses or use as credit for the annual solvency test, which measures the assets of Names against their liabilities.

The credits or cash transferred from the trust funds will be limited to 5 per cent of Names' allocated premium limit in 1993.

With 1990 losses scheduled to reach between £2.5bn and £2.8bn when Lloyd's reports its results in June, that could be an important concession. An average Name underwriting £450,000 could, therefore, set aside £22,500 from 1993 income to pay 1990 losses or meet solvency shortfalls, for example.

"It doesn't help the worst-hurt Names but it is a clever solution for those who are able to trade on," says Robert Saunders, a Lloyd's adviser with Smith & Williamson, the private bank.

Looking further ahead, Lloyd's looks a much less risky investment than it has been traditionally. Already, it has modified its traditional principle of unlimited liability whereby Names are responsible for meeting all their losses, even if it means selling their homes and personal possessions.

A scheme introduced last year means that the losses of all Names trading in 1993 are capped (at an amount equivalent to 80 per cent of premium limit over a four-year period).

Above that limit, losses are met by Lloyd's as a whole although, if the market were to fail, liability would return to the individual Names.

The business plan has modified these arrangements by allowing future Names more flexibility in choosing exactly what balance of risk and reward they want at Lloyd's.

Individual Names can continue to participate on the same basis as they do now, placing 30 per cent of the amount of premium income they accept in any given year as a deposit.

Names who want to place a more certain limit on any potential losses can incorporate. But they would pay a higher deposit (50 per cent of the amount they underwrite) and a higher entry fee (1.5 per cent of stamp capacity rather than 0.6 per cent) than standard Names.

Since incorporated Names need a minimum capital of £1.5m, all but the most wealthy would need to join with others to form limited liability companies.

Alternatively, Names can reduce their risks by taking part in a greater number of syndicates – spreading their risks through schemes known as members' agency pooling arrangements (or Mapas).

In this way, Names would avoid very heavy exposure to individual syndicates performing exceptionally badly.

Equally, though, "Mapa-only" Names would miss out if a single syndicate performed especially well. Mapa-only Names need deposit only 25 rather than 30 per cent of their premium income.

Very wealthy Names also have a new option. Those with liquid assets of at least £500,000 and income above a specified level can trade as high-liquidity Names, depositing only 20 per cent of their stamp capacity with Lloyd's.

Bond funds / Scheherazade Daneshkhu

THE TABLE this week shows the 10 largest offshore sterling fixed interest funds, taken from *Finstat*. These are funds which are recognised by the Securities and Investments Board – the chief regulator for the financial services industry in the UK - and which have a three-year performance record. UK investors can put money in similar funds onshore, but offshore funds pay income gross.

The performance of the offshore funds listed appears to be higher than for onshore bond funds over a similar period (last table published May 15), but is bolstered by the re-investment of gross, rather than net, income and by being quoted on an offer-to-offer basis.

Some funds have a single price but add an initial charge so that, if funds were quoted on an offer-to-bid price, the single-priced funds would receive an unfair advantage. Since initial charges are often around 5 per cent, quoting on an offer-to-offer basis makes the performance figures look better than the returns an investor would actually get.

The strategy adopted by many of the funds is "total return," to give investors both growth and income. As its name suggests, John Govett's UK High Income fund, with a yield of 9.1 per cent, aims to provide a high yield – although not at the expense of stability in its capital value, says Govett's Simon Osborne.

Up to 25 per cent is invested in non-sterling bonds such as Spanish government bonds (10 per cent), Italian government bonds and Mexican short-term Treasury bonds. Around 10 per cent is in longer-term gilts and the rest is in AA credit rated Eurosterling bonds – those issued in sterling by a government or corporate name (such as British Gas).

The fund with the lowest yield in this table – Gartmore's Capital Strategy fund – is one of Gartmore's 24 umbrella funds. The aim of the sterling fixed interest fund, according to manager Mark Rimmer, is to invest in "high quality bonds with minimal credit risk with an emphasis on capital growth." The emphasis on security is borne out by the fund's requirement that investment in gilts does not fall below 50 per cent. At the moment, 55 per cent is invested in gilts, 22 per cent in sovereign guaranteed bonds (Eurobonds issued by foreign governments) and 20 per cent in corporate names.

Rimmer believes offshore sterling bond funds are suited best to investors who want both security and income. "Sterling bonds still represent reasonable value as inflation remains under control," he says, "but the scope for large capital gains from gilts may be limited because the market has rallied over the past few months." He favours the 5-7 year end of the gilts market where he anticipates total returns of around 10 per cent, while the long-end faces the potential problem of oversupply.

Investors should note the charges, as well as yield and performance; there is a wide difference. The initial charge on John Govett's fund is 5 per cent, with a 1 per cent annual fee (minimum investment £2,000); the initial charge is 3.5 per cent on Lloydstrust gilt fund with a 0.75 per cent annual fee (minimum investment £5,000); but there is no initial charge at Gartmore. annual fee is 1 per cent and the minimum investment is £25,000 or its sterling equivalent.

LARGEST 10 STERLING OFFSHORE BOND FUNDS

Fund	Size (£m)	Yield (%)	Perf*
LloydsTrust Gilt Fund	491.2	7.50	64.1
Midland Offshore Gilt	377.5	7.87	59.0
Barclays Sterling Bond	188.6	8.90	70.4
TSB Gilt	144.3	7.84	66.5
Invesco MIM Jersey Gilt	110.2	8.04	58.1
Kleinwort Benson Gilt	40.2	7.25	58.1
Guinness Flight Gilt ££	32.0	8.43	57.1
Hill Samuel Stg Fxd Int	31.3	7.63	64.3
Gartmore Cap Strat	20.6	6.63	61.6
Govett GSI UK HI Inc	17.9	9.10	64.4

*Source: Finstat. Only SIB-recognised funds included. * Offer-to-offer with net income re-invested over three years to May 1. Yield figures as of May 24. Funds without three-year records are excluded.*

Your CGT allowances

THE TABLE shows capital gains tax (CGT) allowances for assets sold in April. To use it, multiply the original cost of the asset for the figure shown for the month in which you bought it.

If you subtract the result from the proceeds of your sale, the balance will be your taxable gain or loss.

Suppose that you bought shares for £5,000 in June 1984 and sold them in April 1993 for £13,000. Multiplying the original cost by the June 1984 figure of 1.576 gives a total of £7,880.

Subtracting that from the proceeds of £13,000 gives a capital gain of £5,120, which is below the 1992-93 CGT allowance of £5,800. If you realised no other gains during the year, the profits should be tax-free.

If you sell shares bought before April 6 1982, you should use the March 1982 figure. The RPI in April was 140.6.

CGT INDEXATION ALLOWANCES: APRIL

Month	1982	1983	1984	1985	1986	1987
January	-	1.702	1.619	1.542	1.461	1.408
February	-	1.695	1.612	1.529	1.455	1.400
March	1.770	1.692	1.607	1.515	1.454	1.398
April	1.735	1.668	1.586	1.483	1.440	1.381
May	1.723	1.661	1.580	1.477	1.437	1.380
June	1.718	1.657	1.576	1.474	1.438	1.380
July	1.717	1.648	1.578	1.476	1.442	1.381
August	1.717	1.641	1.563	1.472	1.437	1.377
September	1.718	1.634	1.560	1.475	1.430	1.373
October	1.709	1.628	1.551	1.471	1.428	1.366
November	1.701	1.622	1.546	1.465	1.416	1.360
December	1.704	1.618	1.547	1.464	1.411	1.361

Month	1988	1989	1990	1991	1992	1993
January	1.361	1.267	1.177	1.080	1.037	1.020
February	1.356	1.258	1.170	1.074	1.032	1.013
March	1.351	1.252	1.158	1.070	1.029	1.009
April	1.329	1.230	1.124	1.056	1.013	
May	1.324	1.223	1.114	1.053	1.009	
June	1.319	1.218	1.110	1.048	1.009	
July	1.318	1.217	1.109	1.051	1.013	
August	1.303	1.214	1.098	1.048	1.012	
September	1.297	1.208	1.087	1.045	1.008	
October	1.284	1.197	1.079	1.041	1.005	
November	1.278	1.186	1.082	1.037	1.008	
December	1.275	1.184	1.082	1.036	1.010	

Source: Inland Revenue

Wife can't be used as tax puppet

Q&A
BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

I HAVE JUST bought £5,000 (nominal) of 14 per cent Treasury 1998-01 in my wife's name. My question is: can I defer bondwashing? I bought the gilts ex-dividend and propose to take the gross interest on November 22 1993 (when my wife will not be liable for tax) and then sell cum dividend after April 5 1994 (when she will be liable), thus avoiding payment of tax on the second lot of gross interest.

■ We are perturbed to see your use of phrases such as "I have bought ... in my wife's name" and "I propose to take the gross interest on November 22," which imply that you are using your wife as a mere puppet for transactions aimed at avoiding tax and producing an indirect benefit for yourself.

You must have overlooked our repeated warnings about the wide-ranging anti-avoidance legislation aimed at taxpayers who try to use their spouses' names to reduce the incidence of tax on funds which will result eventually (albeit indirectly) in a benefit to themselves.

It is essential that the interest be credited to an account in your wife's sole name to which you have no access, and that the proceeds be credited similarly to that account.

The investment decisions must be your wife's, although there is nothing to stop her asking for your advice. What must not happen is that you make a decision for her and simply tell her where to sign, and when. And she must be free to spend the whole of the interest and proceeds just as she pleases.

Subject to all these caveats, the answer to both your questions is YES, on the bare facts given in your letter.

Relief on payments

I TOOK voluntary early retirement from teaching four years ago and get a pension. Since then, I have worked for employers and also as a self-employed tutor. If I take out a personal pension plan and pay 30 per cent of my earnings into it, am I entitled to income tax relief on these payments even though I am already receiving the teacher's pension?

Before taking early retirement, I was paying an extra 1 per cent into the teachers' superannuation fund to "buy in" extra years of service for a widow's pension. I would have paid this extra 1 per cent until age-65 if I had continued teaching. On retirement, I paid a lump sum of £3,000-plus to cover the years which I am not now paying. Am I entitled to income tax relief on this payment?

■ The amount of contributions you can pay to a personal pension policy depend on your age and taxable earnings in the year in which you pay such contributions, and are not affected by pensions in payment or pension rights from earlier schemes.

With regard to the lump sum of £3,000 that you paid to the teachers' scheme at retirement in order to complete the purchase of added years, our understanding is that such lump sum payments (as opposed to annual contributions that – together with your normal scheme contributions – did not exceed 15 per cent of taxable earnings) would not be eligible for tax relief.

To check the category into which your payment fell, and the amount of any contributions that may be tax-deductible, you should write to the Teachers' Pensions Agency, Mowden Hall, Darlington DL9 9EE, quoting any reference numbers that you have in respect of the pension you are now receiving.

Three-way tenancy

MY WIFE and I have joint assets of about £240,000, including a house worth £130,000. We have one married son who owns his own home. What would be the tax implications of creating a three-way tenancy in common, with the parents each willing their third-share to the son?

■ In order to create such a tenancy, you and your wife would first have to sever your joint tenancy (assuming that is how you own your house). Then, each of you would have to give a one-sixth share of the house to your son. These gifts would be potentially exempt transfers. Assuming the house is worth £130,000, then the one-sixth shares would be valued at £21,667 before taking account of any discount.

The problem is that because your son is married and living away from your home, the gift would be treated as a gift-with-reservation and would not be efficient for inheritance tax purposes unless you were to pay him a market rent for the use of his share of the property. The amount you have given away would still be treated as being owned by you for IHT even though, legally, you would have given up this share of the property.

It would, however, be possible to make the gifts by virtue of your respective wills. Each gift would be covered by the nil rate band of £150,000 which is available to each of you, assuming that you have no previous chargeable gifts. The gift-with-reservation rules do not apply to gifts made at death.

This reply was provided by Barry Stillerman of accountants Stoy Hayward.

FINANCE AND THE FAMILY

Doing the Splits

When names can mislead

***Philip Coggan** examines the record of the General Consolidated trust*

GENERAL Consolidated investment trust is a classic example of how trusts' names can give little clue to their functions. In fact, the trust has a UK smaller company-oriented portfolio and a split capital structure. But its name makes it sound like the faceless bureaucrat of the trust sector.

When founded in 1886, it was known as the New General Traction company and aimed to invest in railway stocks. It stayed as a conventional investment trust until 1988 when it decided to move to a split capital structure, with the aim of eliminating the discount to net assets. That aim succeeded and it has traded in a range of 2 per cent premium to 2 per cent discount ever since.

The trust has been run for 25 years by Anthony Simonian and is now part of the Moorgate stable, which includes Moorgate Investment trust and Moorgate Smaller Companies Income trust. There is a small amount (£400,000) of cumulative preference shares but the main three share classes are stepped preference, income and capital.

■ The stepped preference shares are entitled to an annual increase of 7.5 per cent in their income and asset backing, and to be repaid at 203p when the trust is wound-up at the end of 1997. Their repayment value at May 26 was 145.3p and S.G.Warburg Securities says the shares, at 160p, are on a gross redemption yield of 8.9 per cent.

■ The income shares receive all the revenue of the trust after the preference and stepped preference shareholders have been paid. The asset value, originally 50p in 1988, increases at 7.3 per cent a year to reach 100p at wind-up date. As of May 26, the asset value per income share was 72.6p.

As the graph shows, however, General Consolidated has cut the dividend on the income shares. Simonian explains: "The problem with GCIT is that when we split the trust, we didn't have to dramatically re-organise the portfolio. We already had a high yield."

"Where we went wrong is that we should have built in a fixed-interest and convertible preference element to boost our income. Instead, we relied on our liquidity, which was reasonably high at 7 to 10 per cent. That was fine when we could earn 15 per cent on cash but, when interest rates fell, we were faced with having to reduce the dividend."

General Consolidated already had reduced the dividend on the income shares by 10 per cent and plans another 10 per cent cut to 8.45p per income share this year. "It would be quite easy to paper over the cracks," says Simonian, "but it would have left the underlying problem.

"To maintain the dividend would have required a portfolio yield of 7 per cent, which would have left little prospect for growth for the capital shareholders. Instead, the portfolio yield has been cut to 5.5 per cent, with around 10-12 per cent of the fund now in convertible preference shares."

Lewis Aaron, investment trust analyst at S.G. Warburg Securities, welcomes the move by General Consolidated. "They are one of the few managers to have taken into account that they're running a trust for more than one class of shareholder. The decision to cut the portfolio yield was a bold and fair statement." He puts the income shares, at 105p, on a gross redemption yield of 10.25 per cent, assuming 2.5 per cent growth in dividends.

■ The capital shares receive no income but all the assets of the trust after the other classes of share have been repaid. As with other capital shares, there are two asset values which can be quoted, and investors should be aware that there is an important difference. If one takes the other classes of share at their present repayment values, the assets per capital share are 222p; accordingly, the capital shares (127.5p on May 26) were at an apparent discount of 43 per cent (this figure appears in the investment trust section of the FT).

But investors should not assume the capital shares are a bargain. The asset values of the stepped preference and the income shares are increasing steadily year-by-year; the capital shares have to run fast just to keep up. If you allow for the final repayment values of the other shares, the nav of the capital shares on May 26 was just 79.8p. On that measure, the capital shares are on a 60 per cent *premium* to asset value.

According to Moorgate, the capital shares require asset growth of 2.4 per cent a year to repay the capital shares at the present price, and growth of 5.5 per cent a year to repay them at the higher nav of 222p. But Aaron says the capital shares are attractive, given that a 7.5 per cent rise in the trust's assets would offer investors a 21.5 per cent return.

'Where we went wrong is that we should have built in a fixed-interest and convertible preference element to boost our income'

Around 50 per cent of General Consolidated's portfolio is in smaller companies, an "overweight" position in the sector. This has not helped in the past few years, but it could be a benefit now that the UK economy finally appears to be recovering. Simonian says yield is one of the most important criteria in stock selection. "We are looking for stocks with above average yields and above average growth prospects," he adds.

The 10 largest investments in the portfolio include a mixture of smaller and larger stocks. They are: Moorgate Investment Trust, GEC, Thorn EMI, Whessoe, Hanson, Shell, Commercial Union, Prudential, Marks & Spencer and API Group.

Peter Walls, investment trust analyst at Credit Lyonnais Laing, says General Consolidated is at the "quality end of the split capital sector. We don't think it's particularly badly structured and we quite like the management."

■ **Key facts**

The trust had gross assets of £106.3m as of May 26, when the overall package of shares stood at a slight discount to asset value. The manager's fee is 0.44 per cent of gross assets less current liabilities per annum, with a minimum of £375,000. The trust is due to be wound up at the end of 1997.

■ **Board**

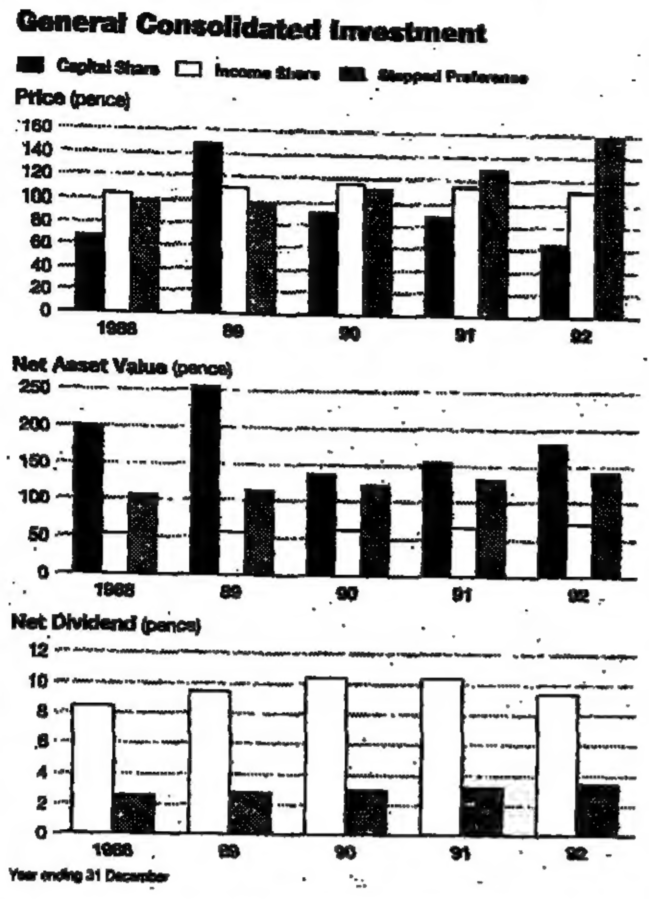
Sir Mark Thomson, the chairman of General Consolidated, is chairman of Moorgate Investment Management as well. Other directors are: David Brazier, a partner of stockbroker Cazenove; Nicolas McAndrew, chairman and managing director of Murray Johnstone; Donald McFarlane, non-executive chairman of Senior Engineering; Simonian; and Richard Westmacott, former chairman of Hoare Govett Securities.

■ **Savings scheme and Pep details**

The minimum monthly scheme is £25, or a lump sum of £250. There are no charges apart from government stamp duty.

The minimum investment into the personal equity plan is £1,000, or £100 a month. There is an initial charge on the Pep of 2 per cent plus VAT, and an annual charge of 1 per cent plus VAT.

Investors are allowed two free withdrawals a year, provided they keep the minimum balance of £1,000. If they want to sell their holding completely, they must pay the appropriate proportion of that year's annual fee.



HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Co-operative Bank	Pathfinder	0345 252000	Instant	£100	5.84%♠	Mly
Birmingham Midshires BS	First Class	0902 302080	Postal	£500	6.75%	Yly
Coventry BS	Extra Interest	0203 252277	Instant	£1,000	7.60%♠	Yly
North of England BS	Edinburgh	091 510 0049	Postal	£25,000	7.50%	Yly
NOTICE A/cs and BONDS						
Bradford & Bingley BS	Direct Notice	0345 247247	30 Day	£1,000	7.00%	Yly
Northern Rock BS	Postal 30	0500 505000	30 Day	£2,500	7.30%♣	Yly
Chelsea BS	Premier VIII	0800 272505	30.9.95	£10,000	9.00%♥	Yly
Chorley & District BS	Astley Share	0257 279373	6 Mth	£75,000	8.55%★	Yly
MONTHLY INTEREST						
Coventry BS	Extra Interest	0203 252277	Instant	£1,000	7.35%♠	Mly
Britannia BS	Capital Trust	0800 654456	Postal	£5,000	6.55%	Mly
Yorkshire BS	First Class Retn	0800 378836	Postal	£25,000	7.13%§	Mly
Chelsea BS	Premier VIII	0800 272505	30.9.95	£10,000	8.65%♥	Mly
TESSAs (Tax Free)						
Dunfermline BS		0383 721621	5 Year	£3,000	8.00%	Yly
National Counties BS		0372 739702	5 Year	£3,000	7.90%	Yly
Dudley BS		0384 231414	5 Year	£10	7.87%	Yly
West Bromwich BS		021 525 7070	5 Year	£150	7.80%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	5.50%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	6.10%	Yly
				£25,000	7.10%	Yly
Northern Rock	Current	0800 591500	Instant	£50,000	7.07%	Mly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	Instant	£500	6.25%	Yly
Confederation Bank Jersey	Flexible Investm	0534 608060	60 Day	£10,000	6.75%	½Yly
Derbyshire (IOM) Ltd	90 Day Notice	0624 663432	90 Day	£50,000	8.00%	Yly
Bristol & West Intl Ltd	Intl Premier	0800 833222	6 Mth ‡	£5,000	6.55%	Yly
GUARANTEED INCOME BONDS (Net)						
Consolidated Life FN		081 940 8343	1 Year	£2,000	5.00%	Yly
Prosperity Life FN		0800 521546	2 Year	£15,000	5.60%	Yly
Financial Assurance FN		081 367 6000	3 Year	£5,000	6.40%	Yly
Financial Assurance FN		081 367 6000	4 Year	£50,000	6.70%	Yly
Financial Assurance FN		081 367 6000	5 Year	£50,000	7.05%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	6.25%	Yly
	Income Bonds		3 Month	£2,000	7.00%	Mly
	Capital Bonds G		5 Year	£100	7.75%F	OM
	First Option Bond		12 Month	£1,000	6.34%	Yly
NAT SAVINGS CERTIFICATES (Tax Free)						
	40th Issue		5 Year	£100	5.75%F	OM
	6th Index Linked		5 Year	£100	3.25% +Infln	OM
	Childrens Bond E		5 Year	£25	7.85%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. B = Bond. ♦ = Initial deposit of £5,000 or £100 per month required. ♠ = All withdrawals subject to 10 days loss of interest. Rate fixed only until 31.7.93. ♣ = Rate guaranteed until 1.7.93. § = 10% bonus of interest earned pa. providing no capital withdrawals. ♥ = rate fixed until 1.10.93. ★ = 0.5% bonus providing no withdrawals per annum.
‡ = After 6 months qualifying period. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain a complimentary copy by phoning 0692 500677.

MARKETS

London

Clarke must seek some elbow room

Richard Gourlay

"If you come to a fork in the road, take it" – Yogi Berra, legendary American baseball manager.

ALL THE signs are that investors in the London market are in a dither. According to some stockbrokers – and it might be wishful thinking – the FT-SE 100 is about to break out of the increasingly narrow range in which it has traded.

Consensus in the City about the direction of this move is, however, elusive. Those seeking guidance should therefore heed another Berra aphorism – "You can observe a lot just by watching".

The case for shares rising above their recent ceiling of about 2880 rests heavily on the new chancellor finding a considerable degree of elbow room. Although sterling wobbled following Lamont's removal, bulls say the currency is strong enough to allow the incoming Kenneth Clarke scope to cut base rates from 6 per cent by a further percentage point.

To prevent an interest rate reduction from weakening sterling unduly, however, Clarke would have to show he is prepared to cut public spending and keep it down. No-one in the equity markets underestimates how difficult it would be to deliver this.

But the bull case has also received strong support from an unlikely quarter – the property sector. After being one of the hardest hit sectors during the recession, the last month has seen shares racing ahead as investors start to rebuild portfolios in expectation of more demand for quality properties.

Further bull support can be gleaned from the turbulent derivatives market. Short sellers have been visible for some time in anticipation of a fall in the Footsie. But some market makers and holders of put options appear to be getting nervous the longer the index does not fall. Closing short positions could give a fillip to the market.

So what could push the FT-SE 100 below the recent 2790 floor of its trading range? The bear case can be summed up simply – the market has fully responded to the economic recovery coming through. As one equity strategist said this week, "Professional fund managers have bought the market and don't want a lot more of it."

Institutions appear to have decided how much to put in the market but are in two minds which stocks to pick. This shows up in some sharp moves in individual stocks, a pattern that emerged in New York last year when the American economy was in a similar shape to the UK's now.

London is also keeping one eye on the European economies, heading into rather than out of recession, and another on New York that has almost daily hit new heights.

It was noticeable that Wall Street's 24 point fall by London's close yesterday helped push the FT-SE index down 15 points to a close at 2840.7, up 28.5 on the week.

Then there are questions marks about the pace of domestic economic recovery. Whatever the government is saying, there is a growing sense that it is slowing. Joe Dwyer, Wimpey chief executive, this week, appeared to underline this point in calling for a more expansionary economic policy.

If recovery is not as strong as previously thought, some sectors of the market are looking frothy - share price multiples would appear to be running ahead of reported earnings growth.

Smaller companies are demanding ratings which discount a considerable degree of recovery.

What is more, after steadily outperforming the FT-SE 100, the FT-SE Mid 250 this week faltered and slipped, sending another warning that unrealistic expectations of recovery may be built into prices.

Similar froth was evident in the new issues market. Private investors on Tuesday applied for more than 11 times the number of shares available in RPC, the plastic container company. This meant £128m of cash was chasing £11.6m of shares.

The state of institutional liquidity offers little more comfort. True, the government's gilt auctions continue to find willing buyers; and large rights issues like this week's £199m call from Hammerson and last week's £442m from British Airways were safely underwritten.

No doubt institutions also have kept something up their sleeves for BT3 in June and the Zeneca rights issue.

But bankers said this week there were signs institutions are approaching the point of exhausting their appetite to fund both the public sector and private deficits.

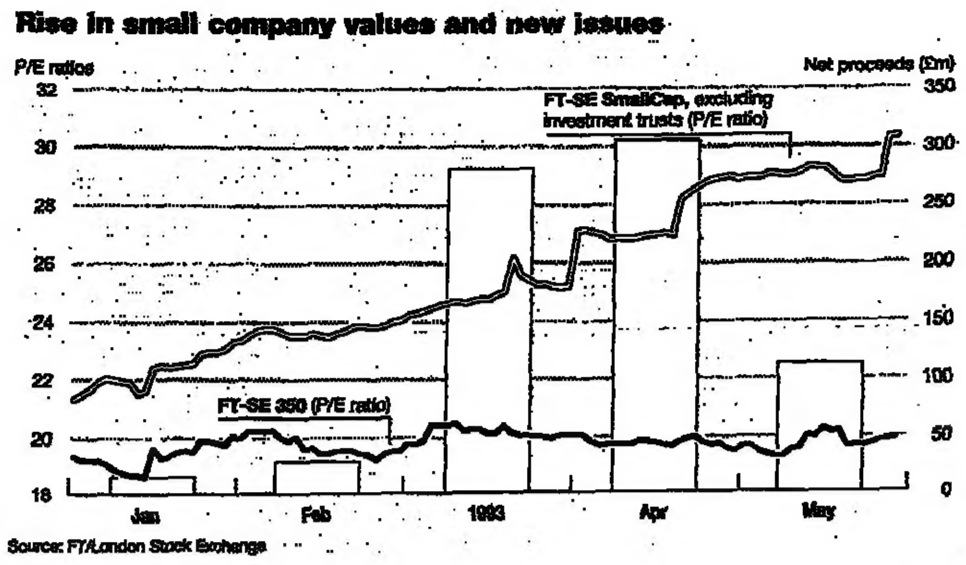
It has to be said that neither the bull nor the bear argument is that convincing. Nomura, the raging bull among stockbrokers, is therefore confidently expecting the FT-SE 100 to end the year at 3500 while Warburgs, among the more pessimistic brokers, think it will end closer to 2900.

Despite their differences, Nomura and Warburgs broadly agree the strategy investors should adopt investors, they say, should avoid cyclical recovery stocks which in general have risen too high, and pick longer term growth stocks in the pharmaceuticals, brewing and food retailing sectors.

One event that would inject some life into the London market would be an injection of fresh cash. It could yet come from foreign investors. But the source of fresh funds that has never failed to get the market excited – the big cash takeover bid – seems increasingly less likely to appear.

This week, Brian McGowan, one of the architects of acquisitive growth at Williams Holdings, the FT-SE conglomerate, resigned as chief executive. His parting remark that takeovers are increasingly difficult and expensive seemed to confirm that the age of the big bid is over. These things may go in cycles; the day of the mega-bid will no doubt return. But it is a fork in the road investors would have preferred to avoid.

Rise in small company values and new issues



Source: FT/London Stock Exchange

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1993 High	1993 Low	
FT-SE 100 Index	2840.7	+28.5	2957.3	2737.6	Wall Street's strength
Argyll	343½	+42	407	297	Results/food retailers recover
BT	422	+15	445½	376	BT 3 campaign gets underway
Courtaulds	537	+20	608	504	Rights issue fears removed
Evered Bardon	56	+4½	58	34	Bid speculation
Glaxo	609	-20	801	545	US selling
HTV	50	+5	51	19	Bid possibilities
Inchcape	583	+27	637	532	Kleinwort recommendation/squeeze
Morland	515	+27	515	455	Results/firm regional brewers
National Power	352	+18	354½	273	Better-than-expected dividend
PowerGen	362½	+18½	364½	273	Preliminary figs due June 7
Reuters	1348	+55	1438	1240	Goldman Sachs recommends
Thorn EMI	874	+40	899	809	Strong results/disposal hopes
Tunstall	435	+22	445	372	Profits up 24%
Warburg (SG)	734	+29	736	523	Strong second-half recovery

Serious Money

Is your insurer a good risk?

By Philip Coggan, personal finance editor

HOW STRONG is your life insurance company? It is an immensely complicated subject, but one which is important. If you are waiting 25 years for your payout, you want to be sure that the company you choose is healthy enough to survive for a quarter of a century.

The health of UK insurance companies is monitored by the Department of Trade and Industry and there is a safety net in the form of the Policyholders Protection Act, which provides for other insurance companies to stump up if one company gets into trouble.

But these give only general reassurance to the average investor. Figures on such arcane statistics as free asset ratios have been available through the trade press, but these are difficult for the ordinary investor to interpret. Hence the appeal of the recent reports from Standard & Poor's, which classify companies in three simple categories: good, adequate and vulnerable.

S&P's latest report described two companies – General Portfolio and the Life Association of Scotland – as vulnerable. Under S&P's definition, the vulnerable category consists of "insurers who appear to have vulnerable financial strength, and may be highly exposed to adverse economic or underwriting conditions."

In both cases, the insurance companies have large parent groups: the Dutch-based Internationale Nederlanden Group in the case of LAS; and the Societe Generale du Group des Assurances Nationales, in the case of General Portfolio. Indeed the French government has a controlling stake in GAN. Both LAS and General Portfolio argued that S&P had underplayed the support of their parent companies.

A second factor is the nature of the business which the company does. Financial strength is important to with profits policyholders, because of the nature of the bonus system. Companies declare reversionary, or annual bonuses, which once announced, cannot be taken away from policyholders. So policyholders want to be sure that companies have sufficient funds to pay those bonuses – and that a sudden stock market dip will not wipe out their reserves.

But the returns to unit-linked policyholders rise and fall along with the market. So the financial strength of a unit-linked company is less important. Raymond Paul, LAS's appointed actuary, argues the report "chooses to ignore that LAS ceased writing traditional with profits business in July of 1992. In our case therefore, the importance of the free asset ratio to the financial solvency of the company is substantially diminished."

Even if LAS was still selling with profits policies, one has to question whether many people would be choosing the company, whatever the view of S&P. In the recent Money Management survey, LAS was bottom of the performance tables over 10, 15 and 20 years for with profits payouts.

General Portfolio has never sold with profits policies. Its business is divided between unit-linked, and guaranteed income bonds, where the liability to investors is matched by gilts. So the company argues that the free asset ratio is a pretty irrelevant figure (although it also says it has improved since the date of S&P's analysis.)

So it is arguable that the only people who should be concerned by the report are LAS's existing with profits policyholders. If S&P is right (which LAS vigorously disputes), the financial strength of the company might reduce their returns in the long run. But their options are limited. If investment returns have been poor at LAS, surrender values are unlikely to be attractive; nor will there be much clamour for LAS with profits policies in the second hand market. An independent financial adviser should be able to give more detailed guidance.

■ ■ ■

FT readers have already shown an interest in the New Issue Register, which aims to give private investors better access to stock market flotations.

The idea is to compile a "mailing list" of those willing to apply for new issues. This will give stockbrokers an easy way of widening the shareholder base of companies they bring to the market, plus a useful source of demand.

Many investors, unless they are the clients of the right stockbroker, have to date missed out on the smaller new issues. These are normally arranged as placings, rather than as offers for sale, which are open to all.

Although new issues are far from a licence to make money – remember the BP offer of 1987 – they can present lucrative opportunities. The first impression that a public company makes on the market can be all-important, and the banks and brokers behind the issue will want to ensure the issue is a success. They will accordingly set a modest price – the ideal is that the shares start trading at around a 10 per cent premium to the issue price.

Those who want to join the register will be asked to pay a membership fee of £75, as soon as they are offered the chance to invest in an issue. The Register hopes to put together its first deal by the end of June.

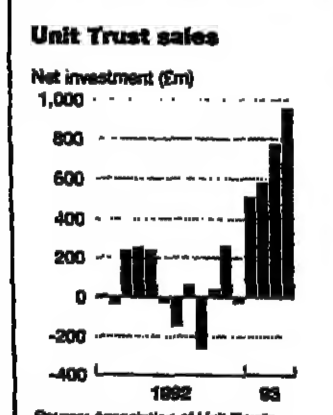
Provided investors do not assume that every new issue they are offered is a bargain, the introduction of the Register seems a welcome initiative.

Further details from the New Issue Register, Butlers Wharf Business Centre, 45 Curlew Street, London SE1 2ND.

AT A GLANCE

Unit Trust sales

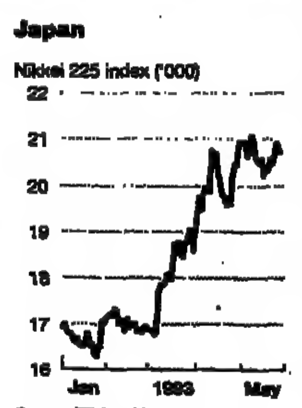
Net investment (£m)



Source: Association of Unit Trusts

Japan

Nikkei 225 index ('000)



Source: FT Graphite

Unit trust sales at highest since Crash of '87

Unit trust sales in April reached their highest level since the 1987 stock market crash. Net sales were £955m, compared with £769m in March, and £649m for the whole of 1992. Lower interest rates appear to be persuading investors to opt for equity-based products, where yields are roughly similar and there is the prospect of capital growth. A further encouraging sign for the industry is that the number of unitholder accounts has risen to 4.51m, from 4.35m at the end of 1992.

First for Perpetual

Perpetual, the Henley-based fund management group, is set to launch its first investment trust. The Perpetual Japanese Investment Trust will be chaired by Christoper Heath, famous for being Britain's highest paid individual while at Barings. The trust will aim to raise between £25m and £60m and will have a minimum subscription of £500. As the graph shows, the Japanese market has rebounded this year, but is a long way below its peak of 38,000.

Fixed-rate mortgages

Fixed-rate mortgages this week included Cheltenham & Gloucester's 7.5 per cent (8.3 APR) for two years and 8.5 per cent (8.6 APR) for five years. These are available on all mortgages and there is no requirement to take out insurance-related products. The mortgages are portable and the application fee is £250.

Chelsea BS has launched a rate of 8.45 per cent (8.8 APR) fixed until March 31 1998 on all mortgages. Buildings and contents insurance has to be taken out with the society; the application fee is £195 and the mortgage is portable.

Two new rates from TSB are a three year fixed rate of 7.75 per cent and 8.45 per cent fixed for five years. The APR varies depending on whether the mortgage is repayment, pension or endowment. The mortgage is not portable and the arrangement fee is £250. All the fixed rates listed have early redemption penalties.

NM drops initial gilt charge

NM is dropping the 5.75 per cent initial charge on its gilt and fixed interest fund. The fund has a below average performance in its sector over one and two years, but above average over three and five years (offer-to-bid with net income reinvested: source Finstat). The fund is designed to produce income, but not at the expense of capital; the current yield is 6.4 per cent.

Halifax offers loan discount

Halifax is offering a one percentage point discount on secured and unsecured loans taken out between June 1 and August 31. The discount will apply throughout the term of the loan.

The secured discounted Xtraloan of 14.1 APR will be available to all homeowners on loans from £3,000 to £15,000 with a repayment period fo 3 to 25 years. The rate is variable. The administration fee is £50.

The unsecured Xtraloan is for Halifax customers on loans of £1,000 to £7,500. The discounted rate is 19.1 per cent APR; it is guaranteed not to change during the repayment period of one to five years. The adminstration fee is £10.

Smaller companies rise

Small company shares rose again last week, with the Hoare Govett Index (capital gains version) increasing 0.5 per cent from 1433.57 to 1440.45 over the seven days to May 27.

Wall Street

Clinton's close shave saves face all round

PRESIDENT Clinton scored a rare triumph on Capitol Hill this week – his deficit reduction programme squeaked through the House of Representatives on Thursday night - and Wall Street, whatever its own political views on the new administration's economic policies, breathed a sigh of relief.

Although the recent troubles that have afflicted Clinton – including the embarrassing episode of the expensive haircut on Air Force One, and the fiasco over the changes at the White House travel office – have mostly been ignored by the financial markets, the suggestion that the president's first Budget might be rejected by Congress genuinely unnerved investors.

Again, this was not necessarily a reflection of their enthusiasm for Clinton's economic proposals, but more a pragmatic realisation that a big defeat for the president so early in his term could be devastating politically.

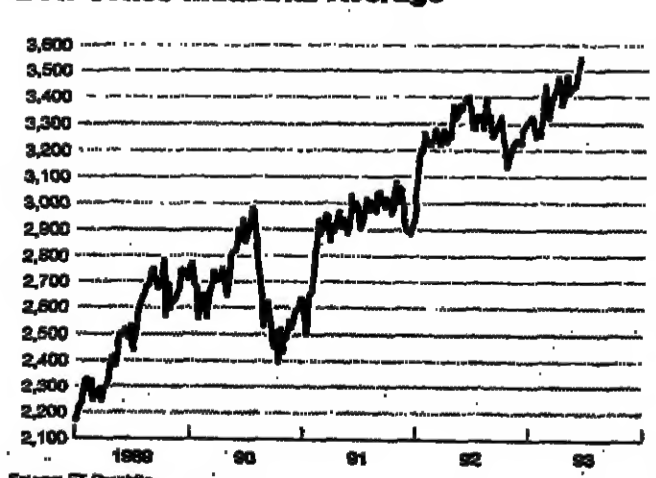
Whether they are Democrats or Republicans, the financial markets like their presidents to have a firm grip on economic policy. Concern about the situation at the White House reached the point this week where one leading newspaper questioned whether the country was about to be lumbered with another failed presidency.

Thus, the news that Clinton's tax-raising, deficit-reduction plan had passed (but only just) its first big hurdle in Congress reassured investors. Although the vote came too late to affect trading, bond and stock prices had risen on Wednesday and Thursday in anticipation that the House would vote in favour.

The bond market, in particular, drew comfort from the late revival in Clinton's fortunes for, only a week earlier, it had seemed a very distinct possibility that the vote would go against him.

This worried Treasury investors who felt that the president's proposals, despite their flaws, were – at the very least – the first meaningful attempt by any recent government to tackle the huge federal deficit. If Clinton had been defeated in the House, fixed-income investors believed that they would have faced years of rising deficits and interest rates, too.

Dow Jones Industrial Average



Source: FT Graphite

The stock markets, although less enamoured of the specific policies in the plan – the big tax increases the government proposes to levy on wealthier individuals and most corporations are especially unpopular among equity investors – took their cue from the bond market.

The decline in the yield on the benchmark 30-year bond to below 7 per cent buoyed stocks, lifting the Dow Jones Industrial Average to two consecutive record highs: 3,540.16 on Wednesday and 3,554.83 on Thursday.

The fact that the Dow promptly turned tail yesterday (by mid-morning it was down about 20 points) did not suggest that the markets suddenly had reversed their position on the president's plan. It just proved that dealers and investors still like to buy on the rumour and sell on the fact. Or, perhaps, the markets simply were preparing for the next battle – the vote in the Senate, which political pundits predict will be a tougher task for the president and his congressional allies.

The drama of the vote in the House at least diverted investors' attention away from the still-thorny question of whether the Federal Reserve is preparing to raise interest rates to curb inflation. Several reports this week suggested that the Fed's open market committee, which meets in Washington every six weeks to review monetary policy, voted unanimously at its meeting 10 days ago to shift the emphasis of policy towards a tightening of domestic credit conditions.

Although the reports unsettled fixed-income prices at the short end of the Treasury market, they were ignored by investors in stocks and long-term government securities. The reason probably was that if there is a consensus in the financial markets about the economic outlook, it is that growth will remain sluggish and inflation weak for the rest of the year.

Yesterday's downward revision in estimates of first-quarter gross domestic product growth – from a previously reported 1.8 per cent to a new estimate of 0.9 per cent – confirmed that the economic recovery has been anything but robust so far this year. There are still plenty of economists who believe that if the Fed does make a move on monetary policy soon, it is more likely to cut interest rates rather than raise them.

No less of a name than Henry Kaufman – the former Salomon Brothers' economist who earned fame and fortune in the 1980s successfully predicting the course of interest rates and bond prices, and who now runs his own Wall Street consultancy – forecast this week that the Fed will ease policy this summer to boost the faltering economy.

Patrick Harverson

Monday	3507.78	+ 14.96
Tuesday	3516.63	+ 8.85
Wednesday	3540.16	+ 23.53
Thursday	3554.83	+ 14.67

The Bottom Line/**Simon London**

Omens for Zeneca investors

SO THERE it is: Britain's industrial bellwether has split itself in two. From Tuesday investors will be able choose between ICI chemicals and Zeneca, the bioscience company hewn from the industrial giant which is starting life with a £1.3bn rights issue. ICI shareholders should get their Zeneca share certificates the week after next, and have until June 21 to decide whether to take up their rights.

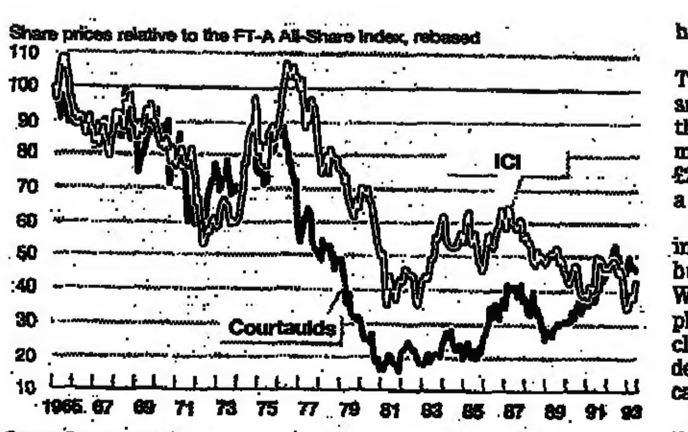
If the demerger opens a new chapter in Britain's industrial history, the story so far has not been a happy one. As the chart shows, ICI peaked against the All-Share index in 1975, since when it has consistently failed to perform. That might explain shareholders overwhelming willingness to back the split at yesterday's extraordinary general meeting.

Whether radical surgery can reverse ICI's long history of underperformance remains an open question. At first sight there is little reason for optimism: both ICI chemicals and Zeneca will arguably lack critical mass as independent companies. The chemicals side has relied on pharmaceuticals to provide cash for investment in new plant and equipment. It will have to stand alone. The rights issue will virtually clear the decks of debt on both sides of the business, but that could equally have been achieved by a unified ICI.

The company – or rather companies – respond that the split will give them a clearer management focus. Their argument is that ICI was simply too big and bureaucratic to manage. The demerger will give both sides the chance to sacrifice some sacred cows.

That might sound a rather vague justification for an exercise which has cost £75m in advisers fees and new stationery. Not to mention the thousands of hours of management time which could have been productively spent running the business. But there are happy precedents, notably the demerger of Courtaulds' textile business in 1990. In both cases an established chemicals company spun-off a whole line of business in the interests of "management focus".

Share prices relative to the FT-A All-Share index, rebased



Source: Datastream

If ICI and Zeneca shares perform as well as Courtaulds since demerger, investors might yet conclude that their money has been well spent. The chemicals side of Courtaulds has decisively outperformed the market since 1990, in spite the cyclical effects on its sector of the deepest industrial recession for 50 years. The demerged Courtaulds Textiles has done even better.

There are crucial differences. The Courtaulds split was on a smaller scale: the two sides of the old company now have a market capitalisation of only £2.5bn, against almost £9bn for a unified ICI.

ICI is also in a more capital-intensive end of the chemical business than Courtaulds. Without the cash generated by pharmaceuticals, it is far from clear that ICI has an independent future in bulk petrochemicals, for example.

The counter-argument is that ICI would be well out of this crowded end of the chemicals business, and the demerger might give Ronnie Hempel, its chief executive, an opportunity to make such a break with the past.

Besides, ICI shorn of Zeneca is hardly a minnow, being the world's sixth largest chemical company ranked by sales. With a recovery in the world economy just around the corner and management prepared to wage war on costs, the optimists expect ICI chemicals to flourish. If the shares start official trading on Tuesday at around 610p, though, a large part of the anticipated earnings recovery will already be in the price.

Zeneca, meanwhile, starts life as an independent company at a time of deep uncertainty for the pharmaceuticals industry. Governments' efforts to get to grips with healthcare costs are resulting in new controls on drugs prices, notably in the US. The rights issue price of 600p – far lower than ICI envisaged when the demerger plan was hatched last year – should take such risks into account. A safe gross yield of 5.7 per cent is certainly comforting. With the drugs industry so out of favour with institutional investors, though, a windfall profit looks unlikely.

Simon London

Chess No 976: 1 Kd4 Kg5 2 Ke5 Kh5 3 Kf6 Kh6 4 Rh4 mate.

TELEVISION

SATURDAY

BBC1

7.00 Ceefax Pages. 7.25 News. 7.30 Pinocchio. 7.50 The All-New Popeye Show. 8.10 The Girl from Tomorrow. 8.35 Potsworth and Co. 9.00 Parallel 9. 10.55 Cartoon.

11.00 Film: Heidi's Song. Animated version of the famous children's tale. With the voice of Sammy Davis Jnr (1982).

12.27 Weather.

12.30 Grandstand. Introduced from Wentworth by Steve Rider. Including 12.35 Football Preview and Golf: A look ahead to the Scottish Cup Final, plus coverage from Wentworth in the second round of the PGA Championship. 1.00 News. 1.05 Water Skiing: The European Masters from Kirtons Resort Country Club. 1.30 Badminton: The World Championship Team Event from Birmingham. 1.55 Racing from Haydock Park: The 2.00 Harcros Timber and Building Supplies Stayers Championship Series Handicap. 2.05 Badminton. 2.25 Racing: The 2.30 Sandy Lane Rated Stakes. 2.35 Water Skiing. 2.55 Racing: The 3.00 Tote Credit Silver Bowl (H'cap). 3.05 Golf. 4.40 Football: Rangers v Aberdeen. Highlights of the Scottish Cup Final. 5.00 Final Score.

5.05 News.

5.15 Regional News and Sport.

5.20 The Queen and I. Photographs and comments about the Queen.

5.25 Disneytime.

6.05 The Main Event.

6.55 Film: Smokey and the Bandit. Comedy, starring Burt Reynolds as a maverick truck-driver who accepts a challenge to complete a 900-mile round trip in 28 hours to deliver a consignment of beer to a party. Trouble ensues when a local sheriff (Jackie Gleason) sets out in pursuit (1977).

8.30 Birds of a Feather. Sharon feels neglected when Tracey invites an old school friend to stay.

9.00 Westbeach. Bill has an unwelcome surprise for the Cromer family. Alan tries to win favour with the town planners by arranging a game of golf between Hugo and the chairman of the development committee. Seaside drama, with David Horovitch and Oliver Cotton.

9.50 News and Sport; Weather.

10.10 The Queen and I. Photographs and comments about the Queen.

10.15 That's Life!

10.55 Film: The Gladiator. Vigilante thriller, starring Ken Wahl and Nancy Allen (TVM 1986).

12.30 Weather.

12.35 Close.

BBC2

7.05 Open University.

3.00 The Music Box. Oscar-winning short, with Laurel and Hardy.

3.30 A Queen is Crowned. A weekend of anniversary mania opens with the first of several programmes celebrating the 40th anniversary of the coronation. This film of the Coronation of Queen Elizabeth II on June 2, 1953, in Westminster Abbey, captures the grandeur and extravagance of the event, the excitement of the crowds and the spectacle of the procession. Narrated by Laurence Olivier.

4.50 The Chelsea Flower Show. Alan Titchmarsh and Anne Gregg review the major horticultural event.

5.35 Late Again. Highlights from last week's editions of The Late Show.

6.20 Scrutiny. The work of parliamentary select committees.

6.50 News and Sport; Weather.

7.05 Singers and Swingers. A 1960s performance by Lulu, with Les Dawson and The Everly Brothers.

7.30 Fight Again. Roy Hattersley looks at Labour's election prospects.

8.00 Seven Faces of Everest. More anniversary programming. A commemoration of the 40th anniversary of the conquest of Everest, highlighting the heroism, tragedy and competition involved in successive attempts.

9.10 Have I Got News for You. Quick repeat of Friday's broadcast. Ian Hislop and Paul Merton are joined by John Simpson, BBC Foreign Affairs Editor and "humorist" Alan Coren. But the real stars are the BBC's libel lawyers.

9.40 The Second Heimat: A New Generation. Edgar Reitz's epic drama marches on. Stefan uses his powers of persuasion to seduce Helga, Clarissa is rushed to hospital with blood poisoning. (English subtitles).

11.30 Olly's Prison. Second part Edward Bond's bleak tale. Mike is imprisoned for his horrific crime, and uses the time to come to terms with the consequences of his actions. Starring Bernard Hill, Mary Jo Randle and Bryan Pringle.

12.35 Film: Twelve Angry Men. Another showing for the jury-room drama. Henry Fonda fights for justice in Sidney Lumet's claustrophobic drama. Riveting, for the few viewers who do not already know the verdict from a previous screening. Also starring Lee J Cobb, Ed Begley, Martin Balsam and Jack Klugman (1957).

2.10 Close.

LWT

8.00 GMTV. 9.25 Gimme 5. 11.30 The ITV Chart Show. 12.30 pm Movies, Movies, Movies.

1.00 ITN News; Weather.

1.05 London Today; Weather.

1.10 The Lions Tour. Highlights from New Zealand of the rugby union and the fisticuffs.

2.30 Wanted Dead or Alive. Steve McQueen as Josh Randall takes on an unusual case.

3.00 Cartoon Time.

3.15 Film: The Conquest of Everest. Oscar-nominated documentary about the 1953 British expedition to climb Everest (1953).

4.45 ITN News; Weather.

5.00 London Today and Sport; Weather.

5.05 MacGyver. The ace investigator and a long-time friend are wrongly arrested.

5.45 Stars in Their Eyes. Host Matthew Kelly invites five aspiring singers to take to the stage.

6.15 The Brian Conley Show. Comedy with the award-winning entertainer.

6.45 United: You've Been Framed! A cringe special for soccer fans. Camcorders capture the behind-the-scenes antics of FA Premier League Champions Manchester United.

7.15 The Match. Poland v England. World Cup qualifying match live from the Slaski Stadium in Chorzow, Poland. England played well at home against Norway and the Netherlands but dropped points to late goals and find themselves in an uncomfortably tight race for a place in the 1994 finals. Poland are one of their chief rivals. Introduced by Ian St John, commentary by Brian Moore and Ron Atkinson.

9.30 The Bill. A distraught Sgt Cryer faces a harrowing ordeal after the body of a teenage boy is washed up on a beach.

10.00 ITN News; Weather.

10.15 London Weather.

10.20 Film: The Color of Money. Flashy, fast-paced follow-up to *The Hustler*. Paul Newman returns as ageing pool hustler Fast Eddie Fulton who pushes a young player (Tom Cruise) hit the big time. Also starring Mary Elizabeth Mastrantonio. The movie marked Martin Scorsese's comeback as a bankable director. (1986).

12.30 The Good Sex Guide.

1.00 291 Club.

2.00 The Big E.

2.55 Get Stuffed; ITN News Headlines.

3.00 Basketball; ITN News Headlines.

4.00 Coach.

4.30 BPM.; Night Shift.

CHANNEL4

6.00 Early Morning. 10.00 Trans World Sport. 11.00 Gazzetta Football Italia. 12.00 Sign On: At Leisure. 12.30 pm Kasak.

1.00 Film: Madame Bovary. Flaubert's much-filmed Flaubert's novel about an adulterous wife's attempts to find happiness, here directed by Vincent Minelli and starring Jennifer Jones, Louis Jourdan, Van Heflin and James Mason as Flaubert himself. (1949).

3.05 Racing from Kempton. Coverage of the 3.10 Crawley Warren Handicap Stakes, 3.40 Broking Handicap Stakes, 4.10 Crawley Warren Heron Stakes, and the 4.40 Underwriting Handicap Stakes. Introduced by Brough Scott, with Graham Goode, John Francome and John McCririck.

5.05 Brookside. Omnibus edition. Ron is astounded when Bev brings her new man to the Trading Post.

6.30 Right to Reply. Viewers' reports and ideas about TV; News Summary.

7.00 A Week in Politics. Reviews and analysis of the week's rather dramatic happenings, with Vincent Hanna and Andrew Rawnsley.

8.00 Best of Cutting Edge. The story of Stephen Pegg who struck down at 42 by motor neurone disease. To leave something for his young daughter to remember him by, he began writing poetry and short stories, which not only won a *Guardian* literary award, but also buoyed up his spirits.

9.00 The Beiderbecke Connection. The Beiderbecke odyssey continues with a repeat of the third series by Alan Plater. Starring James Bolam, Barbara Flynn and Terence Rigby.

10.00 Drop the Dead Donkey. Sexual harassment rears its ugly head in the newsroom, and Damien invades virtually everyone's privacy in his quest to track down a Nazi war criminal. Repeat.

10.30 Film: La Gloire De Mon Pere. Proof that before the invasion of English ad men Provence was once inhabited by the French who also lived in a haze of sentimentality. Following the success of *Jean de Florette/Manon des Sources* this is the first in another two-part adaptation of a Marcel Pagnol book. This one is about his childhood. When his family takes a holiday in Provence, the youngster falls in love with rural life. Starring Philippe Caubere, Nathalie Roussel and Didier Pain. (1990).

12.35 Evening Shade.

1.05 Poor Man's Orange.

2.00 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
1.05 Anglia News. 2.30 Worldwide Wrestling. 4.45 ITN News and Results 5.00 Anglia News and Sport 5.05 The Wind in the Willows. 10.15 Anglia Weather.

BORDER:
1.05 Border News. 2.30 Spanish Goals Extra. 2.50 Blood, Sweat and Tears. 3.50 Cartoon Time. 3.55 Superstars of Wrestling. 5.00 Border News and Weather

CENTRAL:
1.05 Central News 2.30 Nigel Mansell's IndyCar '93. 3.05 The A-Team. 4.00 WCW Worldwide Wrestling. 5.00 Central News 10.15 Local Weather.

CHANNEL:
12.30 The Munsters Today. 1.05 Channel Diary. 2.30 Nigel Mansell's IndyCar '93. 5.00 Channel News.

GRAMPIAN:
12.30 Telefios. 1.05 Grampian Headlines 2.30 Movies, Movies, Movies. 3.00 Police News. 3.05 Blood, Sweat and Tears. 4.05 Rock Sport. 4.25 Tomas Toiseach 'S A Charaidean. 4.40 Grampian News Review. 5.00 Grampian Headlines 10.15 Grampian Weather.

GRANADA:
1.05 Granada News 2.30 Spanish Goals Extra. 2.50 Blood, Sweat and Tears. 3.50 Cartoon. 3.55 Superstars of Wrestling. 5.00 Granada News 5.05 Baywatch.

HTV:
1.05 HTV News. 2.30 Nigel Mansell's IndyCar '93. 3.00 Palooka. (1934) 5.00 HTV News. 10.15 HTV Weather.

HTV Wales as HTV except:
3.00 Stuntmasters. 3.45 Celtic Challenge.

MERIDIAN:
12.30 The Munsters Today. 1.05 Meridian News. 2.30 Nigel Mansell's IndyCar '93. 5.00 Meridian News.

SCOTTISH:
1.05 Scotland Today. 2.30 Telefios. 3.00 Starting From Scratch. 3.30 Cartoon Time. 3.50 Wonderful World of Disney. 5.00 Scotland Today 5.10 The Box. 5.20 Coach. 7.15 Table for Five. (1983) 10.15 Scottish Weather.

TYNE TEES:
1.05 Tyne Tees News. 2.30 North to Alaska. (1960) 5.00 Tyne Tees Saturday

ULSTER:
1.05 UTV Live News 2.30 Nigel Mansell's IndyCar '93. 3.00 Blood, Sweat and Tears. 4.00 Wrestling. 5.00 UTV Live Early Evening News. 10.15 UTV Live News

WESTCOUNTRY:
1.05 Westcountry Weekend Latest. 2.30 Disney's Greatest Villains. 3.20 Baywatch. 4.15 Nigel Mansell's IndyCar '93. 5.00 Westcountry Weekend Latest.

YORKSHIRE:
1.05 Calendar News. 2.30 North to Alaska. (1960) 5.00 Calendar News.

S4C Wales as Channel 4 except:-
7.00 Early Morning. 12.30 The Wonder Years. 6.30 The Magic Roundabout. 6.35 Now You're Talking. 7.00 Newyddion Nos Sadwrn. 7.20 Hwyl Y Noson Lawen. 7.50 Yn Dy Ddwble. 8.20 Talth Y Llewod '93. 9.00 Short Stories. 9.30 Europe Express.

SUNDAY

BBC1

7.00 Ceefax Pages. 7.30 Wiz Bang. 7.40 Charlie Chalk. 7.55 Playdays. 8.15 Rupert. 8.20 Smoggies. 8.45 Favourite Songs. 9.10 News. 9.15 See Hear 9.45 France Panorama. 10.00 Italianissimo. 10.15 Morning Worship. 11.50 Small World.

12.00 A Cook's Tour of France. Mireille Johnston samples the cuisine of Provence. Rich French flavour.

12.30 CountryFile. Agricultural news and environmental issues.

12.55 Weather for the Week Ahead.

1.00 News.

1.05 On the Record. Political analysis.

2.00 EastEnders.

3.00 Film: In Which We Serve. Wartime drama in which all of Britain's social classes are in the same boat. A propaganda film and also a classic. Noel Coward directed with David Lean, wrote the script, starred and won an Oscar. The cast also includes John Mills and Bernard Miles as well as Richard Attenborough, Celia Johnson, Daniel Massey and Juliet Mills all making their film debuts (1942).

4.50 Cartoon.

5.05 Masterchef.

5.40 News.

5.55 The Queen and I. Comments about the monarchy.

6.00 Songs of Praise. The 40th anniversary celebration of the Queen's Coronation in the splendour of Westminster Abbey.

7.00 Film: Switching Channels. Yet another remake of the Front Page. Burt Reynolds stars as a TV newsroom boss who tries to win back his ex-lover and star reporter (Kathleen Turner) after she announces her engagement to a timid tycoon (Christopher Reeve) (1988).

8.40 The Queen and I. Photos and comments about the Queen.

8.45 News and Weather.

9.00 Don't Leave Me This Way. Janet McTeer and Imelda Staunton return as the academic amateur sleuths, Dr Lawson and Bridget Bennett trying to uncover the truth behind a car crash in which a friend was killed.

10.35 Heart of the Matter. Investigating moral dilemmas affecting the lives of people in Britain.

11.10 For Those in Peril. Commemoration of the Battle of the Atlantic. Contributors include Lord Callaghan and actor Jon Pertwee.

11.40 Time of Her Life. Ways to deal with emotional changes caused by children leaving home, bereavement and divorce.

12.10 The Sky at Night.

12.30 Weather.

12.35 Close.

BBC2

6.15 Open University. 9.10 Thundercats. 9.30 Jonny Briggs. 9.50 The Movie Game. 10.15 Rugrats. 10.40 Grange Hill. 11.00 Blue Peter Omnibus. 11.45 The O Zone. 12.00 Around Westminster.

12.30 Sunday Grandstand. Six hours plus of water-skiing, badminton and Formula Three motor racing. The chief attraction in this dreary marathon is the third round of the Volvo PGA golf. Steve Rider introduces from Wentworth. Including 12.35 Water Skiing: The European Masters from Kirtons Resort Country Club. Britain's John Battleday defends his title in the men's slalom. Plus, coverage of the women's tricks final. Gerald Sinstadt and Alan Goggin commentate. 1.00 Motor Racing: Round five of the Formula Three Championship from Brands Hatch. 1.20 Water Skiing. 1.45 Golf: Third-round action from the PGA Championship at Wentworth. Commentary by Peter Alliss, Bruce Critchley and Alex Hay. 2.45 Badminton: World Championship Team Event from Birmingham's National Indoor Arena. Men's and women's singles and doubles. 3.30 Water Skiing. 4.00 Golf. 6.00 Badminton. 6.40 Final Score.

6.50 Ocean Challenge. The end of the Round the World Yacht Race.

7.00 The Money Programme. Peter Wilson-Smith examines company directors' salaries, and asks whether Britain's bosses are paying themselves too much. A voluntary code is being drawn up to improve behaviour in the boardroom - will it be enough?

7.40 Silver Spoon. In 1977, some of the people who were born on Coronation Day were interviewed for a documentary to see how they had fared in their first 25 years of life. As the Queen celebrates 40 years on the throne, their stories are updated to show how the 1980s and 1990s have affected them.

8.45 The Monarchy Debate. David Mellor MP and James Naughtie QC lead a panel of academics, politicians and journalists to discuss the future of the Royal family. Does Britain still need the monarchy – and if so, what role should it play in the country's future?

10.15 Moviedrome. Alex Cox introduces tonight's cult film. 10.20 Film: Darkman. Comic-book horror, starring Liam Neeson, Frances McDormand, Colin Friels and Larry Drake (1990).

11.55 Olly's Prison. Final part of Edward Bond's grim drama.

1.15 Close.

LWT

CHANNEL4

REGIONS

RADIO

SATURDAY

SUNDAY

CHESS

FIDE, the established world chess body, hopes that its July interzonal at Biel will demonstrate continued international support against the breakaway Professional Chess Association. Some 50 players have qualified for Biel from zonals such as the British Isles event in Dublin which was won by Michael Adams and Jon Speelman. Judit Polgar, 16, is the first woman to reach the interzonal.

Polgar, who captured Bobby Fischer's record as the youngest ever grandmaster, now bids to emulate him in qualifying from the interzonal to candidates at the first attempt.

This was her decisive game in the Budapest zonal (J Polgar, White; P Gdanski, Black).

No 976

White mates in four moves, against any defence (by Dr W Speckmann).

Solution Page XXIV

Leonard Barden

BRIDGE

My hand today comes from rubber bridge. It shows defensive play of the highest quality. Let us see what we can learn from Into The Lion's Mouth:

E P C Cotter

CROSSWORD

No. 8,163 Set by CINEPHILE

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday June 9, marked Crossword 8,163 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday June 12.

Name

Address

ACROSS

1 Unmarried composer takes contrary part (8)

5 Married one day, departed one short (6)

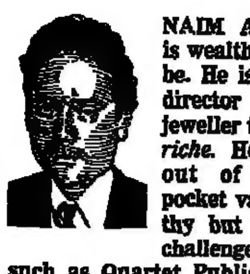
9 Unmarried and childless head leaving church (8)

10 Marriage, too often great, may stray (6)

Seriously Rich

The art of keeping up appearances

Wealth is determined more by image than reality, says ***Dominic Lawson***



NAIM ATTALLAH is wealthy. He must be. He is managing director of Asprey, jeweller to the *vieux riche*. He supports out of his own pocket various worthy but financially challenged ventures such as Quartet Publishing, and *The Literary Review*.

But when, many years ago, Attallah arrived in Britain as a near-penniless Palestinian, few would have given much for his attaining wealth and influence. Then, even more than now, the English financial establishment was a closed community.

But young Naim knew what to do. With his few pounds he hired a Rolls-Royce to take him around the City of London. People were impressed. A Palestinian driven in a Rolls-Royce was clearly a man of substance: who knew what Arab connections he might have?

Attallah has never looked back. Of course, he could not have succeeded by surface charm alone. By all accounts he has a brilliant head for figures, the sort of man who can make a killing on the foreign exchanges without recourse to a calculator.

But his story illustrates a point that has become more potent over the years: that our understanding of wealth is determined more by appearances than reality. In the old days it was not so. A man was wealthy if he had land, thousands of acres of it. It was probably inherited. At any rate it was not borrowed. If anything it was lent to tenants and others less fortunate.

But now anyone of vigour, by careful wooing of banks with a strange urge to gamble, can acquire almost overnight the trappings of old money. Of course, the bankers know that those Landseers, those grouse moors, are theirs. But the public sees the borrower as the source of wealth and it is in the banks' interest not to shatter the image.

These illusions of wealth have been greatly aided by the sudden proliferation of magazines purporting to list the wealthiest businessmen, with their supposititious net worth neatly printed – usually it is a nice round number – next to their shiny happy faces.

The most famous in Britain is carried out by Philip Beresford, for the *Sunday Times Magazine*. Last year's list had the additional information, culled from US sources, that the Reichmanns were the fifth richest family in the world, alongside the Saudi royal family.

When the list was published, it was already painfully clear to the Reichmanns' myriad bankers that the Canadian property dealers' net worth was substantial only as a negative quantity. They were that great invention of 20th century financial engineering, minus billionaires.

In the previous year's list, Captain Robert Maxwell was up there near the very top, at a time when, as we now know, his fortune had totally collapsed. Subsequently, with disarming honesty, Philip Beresford wrote in the *Sunday Times*: "We didn't take Mr Maxwell's debts into account." This was rather like assessing the pros and cons of Britain's membership of the European exchange rate mechanism without taking into account unemployment.

But one must sympathise with the compilers of such lists. It is far easier to see a man's assets than his debts; indeed, the indebted rely on this little secret. Only the most rash and egotistical actually admit it, as Australia's Alan Bond did in the late 1980s when he stated: "A man's wealth is measured by how much he can borrow."

But even with those who are genuinely rich, the attempt to express their wealth in a single number is fatuous. Money is only a measurement of value, and value is akin to mercury, an elusive, volatile substance which makes us look foolish when we try to capture it. It measures us, rather than the other way round.

J Paul Getty understood this. Indeed, he sprang to public prominence in 1957 only because he was named as the richest man in the world in the very first such list, compiled by *Fortune* magazine. According to one of Getty's biographers: "When he heard about the *Fortune* article Getty told his brother-in-law, Ware Lynch: 'I don't know how much money I have. I don't know how they would know.'"

Exactly. It is the mystery of value. Ask any expert. Ask Attallah.

■ Dominic Lawson is editor of *The Spectator*.

Private View / **Christian Tyler**

To Paradise in the limousine lane

WE SAT on the bishop's well-trimmed lawn discussing camels and needles while the birds trilled away in the evening sun.

The three English counties which make up the Anglican diocese of Oxford contain more rich people than any other part of Europe, said the bishop, adding sadly: "We see very few of these people in church."

Perhaps they would come to church if the Church told them more plainly what their obligations were, I said.

"Well, I mean, that may be so. Maybe we have failed in some way."

Richard Harries, bishop of Oxford, is a decent sort, a product of Wellington College, Sandhurst and Cambridge. He is a well-dressed, good-looking theologian who has defended the nuclear deterrent and attacked the Church of England's investment policy. His latest book is called *Is There a Gospel for the Rich?*. Reviewers found it scholarly, but bland.

Is it harder for the rich to get to heaven? Or was Jesus exaggerating?

"Yes, it's certainly hard. Even allowing for what they call Oriental hyperbole, Jesus clearly thought it was difficult and I think there is a difficulty, yes."

What is the difficulty?

"First of all, wealth can lead to complacency and self-satisfaction. I take it that at the heart of healthy religion is a sense of gratitude, as Wordsworth once said. Secondly, I think that wealth can cocoon one from the harsh reality in which so many people live their lives. The classic parable of course is the one of Dives and Lazarus."

Wealth and possessions could become a psychological trap, he continued, which was why the poor were often more generous than the rich. He recounted the story of a fellow-bishop whose parishioner, an heiress, kept complaining of financial hardship and reducing her covenant to the church.

"He realised it was a spiritual problem and brought it home to her that she was in the grip of her money. He persuaded her to give away a very substantial amount in order to find some inner liberation – and it really worked."

During the 1980s it became fashionable for some churchmen, encouraged by Margaret (now Lady) Thatcher and her adviser Brian (now Lord) Griffiths, to quote the more tolerant Judaic tradition in order to "affirm" capitalist wealth-creation for Christians. Why, they argued, should bankers and bond traders not feel members of God's elect?

The bishop takes a similar line.

"In the Old Testament it is quite clear that God's purpose is that human society should prosper ... the corn, the wine, the oil. It's interesting that Jewish people have a rather less complex and less tortured attitude to wealth. They regard it as a good thing and many of them are extraordinarily generous."

Yes, I said, because they have strict rules about giving it away.

"They *do*. Jewish people will say it's good to make money, and it's even better to give a lot away."

But Jesus didn't say that.

"No. Jesus brought in all these complicating features like 'blessed are the poor' or 'blessed are the poor in spirit'. All I'm saying is that we need to take Jesus' sayings against the background of the Old Testament. I mean, he was a Jew, and of his time."

Colin Beere

I thought the bishop was going to say we should take Jesus' sayings against the background of modern mixed-economy capitalism. I asked him whether the fashion for 'affirming' wealth-creators had not muddied the church's teaching.

"The church still has a lot to do to underline the importance of business. It still has very negative view."

But why should the church need to underline the importance of business in the first place?

"Because we all depend on business one way or another; the whole of society does. Secondly, many Christian people are working in the financial and commercial worlds and unless they can see their vocation as having some kind of legitimacy what on earth are they doing there?"

You can choose not to be in the City making a dubious turn, I said.

"Some people are drawn to the financial sector. If it is necessary to the working of a modern economy it may be that people find a perfectly proper legitimate vocation in that field."

The church's ban on usury was due to a misreading of scripture, he added. "Originally it was a ban on loading the poor with debt. This is vitally relevant today in relation to Third World debt. It doesn't apply in a modern market economy, where there is lending between financial equals.

"My worry from the church's point of view is that so many people are schizophrenic. They confine their values to the domestic sphere and personal relationships. They get into the world of work and are not sure how to feel about it."

In short, Richard Harries says you can be poor in spirit if you cannot bear to be poor in fact. "People should open up their moral bankruptcy, their spiritual need."

So they can still drive a Rolls-Royce?

"Well ..." He hunted for an answer. "They can begin to grasp what the gospel is about even driving a Rolls-Royce. As they begin to imbibe the gospel more deeply, they come to question a very great deal of their lifestyle and perhaps their political commitments.

"I mean," he added cheerfully, "there's nothing wrong with a Rolls-Royce. It is an extremely finely-made car and I don't think Jesus was opposed to quality. Jesus liked well-made things."

He quoted the story of Zacchaeus the tax-collector who had volunteered to repay those he had defrauded and had given away half his assets. "If then Zacchaeus had kept his Rolls-Royce I do not see Jesus blaming him", the bishop said.

But he told another rich man to sell all, give to the poor and follow him, I said. That seems pretty explicit.

"Certainly some people feel they are directly addressed by that and they become monks and nuns ..."

You mean it's not an obligation?

"I feel all Christian people should quite properly be troubled by that statement. How does it impinge upon us? What does it really mean today? And the answer I give is a kind of inner spiritual poverty. But I go on to say it does mean some real solidarity with people who are powerless and vulnerable in the world."

'There's nothing wrong with a Rolls-Royce. It is an extremely finely-made car and I don't think Jesus was opposed to quality,' says Richard Harries, bishop of Oxford

Why are you afraid to say that everyone should make the supreme sacrifice, or get as close as they can to it?

"I'm not saying we shouldn't get close to it. We do believe we ought to give away a percentage of our money: the Bible teaches a tenth – and that does not include taxes.

"That in itself is a salutary discipline. The Church of England is only just beginning to wake up to this. We've lived on inherited endowments so long: the fact that the Church is short of money is forcing us to look again at our Christian commitment."

Do you give money away?

"I try to, yes. I try to practise the Christian discipline of the tithing."

(The bishop is paid about £23,000 a year in addition to his rent-free house and expenses).

What do you do when you meet beggars on the street?

"I don't believe in giving to most of the people one meets because most of them are ... alcoholics and so on. No, I try to give through covenants – not to beggars because I don't think they should be encouraged to be there. It's better to support projects."

After giving his tithe, the rich man's next step should be to make sure the rest of his wealth was constructively employed, perhaps in creative risk-taking, "not hoarded for comfort and aggrandisement."

Which rules out the Rolls-Royce, I said.

"Not necessarily. I am less interested whether a person has one Rolls-Royce or two than what they are doing overall with their life."

Why won't you say a Rolls-Royce is just not on for a good Christian?

"What we haven't touched on is the political issues. Suppose you have somebody with a Rolls-Royce but whose life is dedicated to good causes and who works in order to better the lot of poor people in this country and abroad." (Was he thinking of the Princess Royal?). "I'd far rather have that kind of person than one who rode around in a second-hand car and did nothing else.

"One of the great jumps that wealthy people have to take is to recognise that although they themselves may benefit from certain political and economic policies they may have not only to vote but also work for other policies."

So millionaires should vote Labour, by and large?

"Millionaires should always test every policy by the question: what will the effect of this be upon the poorest and most vulnerable members of society? The point about the rich is that they have power, they have influence, they can get things done. That's what matters. Wealth really is secondary to power. So I'm concerned with how they are using their power and influence."

Is the answer to the question on your book's front cover Yes or No?

"The short answer must be Yes. There *is* a gospel for the rich."

What does it mean to say that?

"The word 'gospel' means good news. There is good news for the rich."

And the good news is they can get through the eye of the needle?

"The good news must be that there is God, that there is a wise and loving power behind this universe ..."

Surely that's good news for everybody.

"But the rich also need to hear this good news, because a lot of the teaching of the gospel seems to be rather bad news for the rich, doesn't it? So there is a spiritual message, but there is also a very great challenge. I don't think you can hear the good news without hearing the challenge."

If he took up the challenge, I observed, a rich man might well get to heaven faster than a poor one.

"Well, getting to heaven depends on the grace of God, not on one's own merits. But I entirely agree that you do have opportunities for doing good which may not be open to other people.

"My position, which would be sharply differentiated from a number of other Christians', does have an inescapable political dimension. My worry is the pietism which accepts the status quo."

By stressing the political obligations of the rich, the bishop of Oxford puts himself at odds with Conservatives who say the church should keep its nose out of social policy. I asked him: was that why you didn't get to Canterbury?

"I didn't want to get to Canterbury," he laughed, almost convincingly.

■ *Is There a Gospel for the Rich?; Mowbray, 1992. Now in paperback.*

Why should the rich have all the fun?

Michael Thompson-Noel

I HAVE always liked the rich. I have met thousands of them, I suppose, and have always found them far more interesting, charming, witty, attractive and intelligent than poor people.

Poor people are not interesting. Their views are plain-textured, their lives monochromatic. They do not drive Aston Martins or collect Venetian glass or holiday in Barbados or know anything about the gold price, so how can they avoid the choking dust of dullness that settles, inevitably, upon a life without money?

More of the poor in a minute. Dull they may be, but they do not go away. The other reason I like rich people is that their stories and experiences are much livelier than poor people's stories. Here is an example. I found it this week in a book, *Horsetrader*, by Patrick Robinson, an account of Robert Sangster's exploits as a racehorse owner. Sangster is rich, intelligent, interesting.

One night Sangster and his wife Sue and an Irish friend of Sangster's, Billy McDonald, a bloodstock agent from Ballynahinch, were on the beach outside Sangster's house in Barbados, gazing at the distant lights of Michael Smurfit's yacht. Suddenly, McDonald announced that he was fed up with all this vodka. "Dat bloody boat of Smurfit's is packed with Château Petrus," he shouted, "and I'm going out there to get a decent bottle."

Upon which he plunged into the sea and began swimming, inexpertly, towards the yacht. Slowly, McDonald's sounds grew fainter until, on the velvety Barbadian air, came a waterlogged Irish roar: *"Oi'm bloody drownin'. Fock it!"*

At once, Sangster's wife whipped off her skirt, knifed into the water and swam strongly to the Irishman's resue. She got him on his back, grabbed his hair, told him that if he wriggled, belched or spoke she would abandon him, and dragged him 200 yards back to the beach, depositing him, poleaxed with exhaustion, upon the sand.

"I'd say he owes you," Sangster told his wife. "None of us could have done that. Shame about the Petrus."

Nice story. I wish that poor people had such stories to tell. If I had *three* wishes, I would wish that most rich people were somewhat poorer, that many poor people were not so poor, and that some poor people were greatly richer.

HAWKS & HANDSAWS

I had better explain. I am not a professor, but if you ask me we seem to be living through a period, in the western democracies, of political decadence and moribundity. Things are badly skew-whiff. I am not talking about humdrum recessions. Get rid of one and along comes another. I am talking about the distortions and inequities that disfigure our economies – specifically, the crudeness of our distribution of benefits between the haves and have-nots.

Take the US, an extremely decadent society that has lessons for us all. According to an analysis by Neil Howe and Phillip Longman in *The Atlantic* magazine some time ago: "When we add together all the tax expenditures and all the direct outlays for which we have data ... an unambiguous picture emerges. On average, households with incomes under $10,000 collected a total of $5,690 in benefits (in 1991). On average, households with incomes over $100,000 collected $9,280. In terms of total fiscal cost ... the aggregate amounts received by the non-needy in 1991 were staggering."

Whatever one's vision of the future, they said – whether it was a negative income tax or a 15 per cent flat rate; green cars running on hydrogen or mag-lev trains humming between cities – to get something new, one must give up something old. "A society that cannot find the resources to pay for 60-cent tuberculosis vaccinations for 10-year-olds must ask itself why it is offering subsidised health care and housing to millionaires."

Shuffling government ministers around is low-grade sport compared with the shuffling of resources between the haves and have-nots, where progress will be slow. To ginger things up – to provide more people with stories – I would, at random, sequester the fortunes of one deceased multi-millionaire in seven and divide the spoils between 15 poor people.

They could spend it how they liked. Aston Martins. Crates of Petrus. Homes in Barbados. Tickets to Royal Ascot. Elocution lessons. Founding businesses.

Why should the rich have all the best stories?

■ *Horsetrader*, HarperCollins: Page VI.